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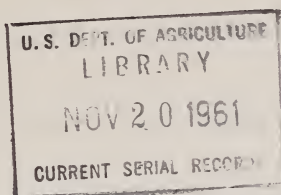
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AGRICULTURAL SITUATION AND OUTLOOK FOR 1962



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THE DEMAND AND PRICE SITUATION

COMMODITY HIGHLIGHTS

GENERAL AGRICULTURAL SITUATION

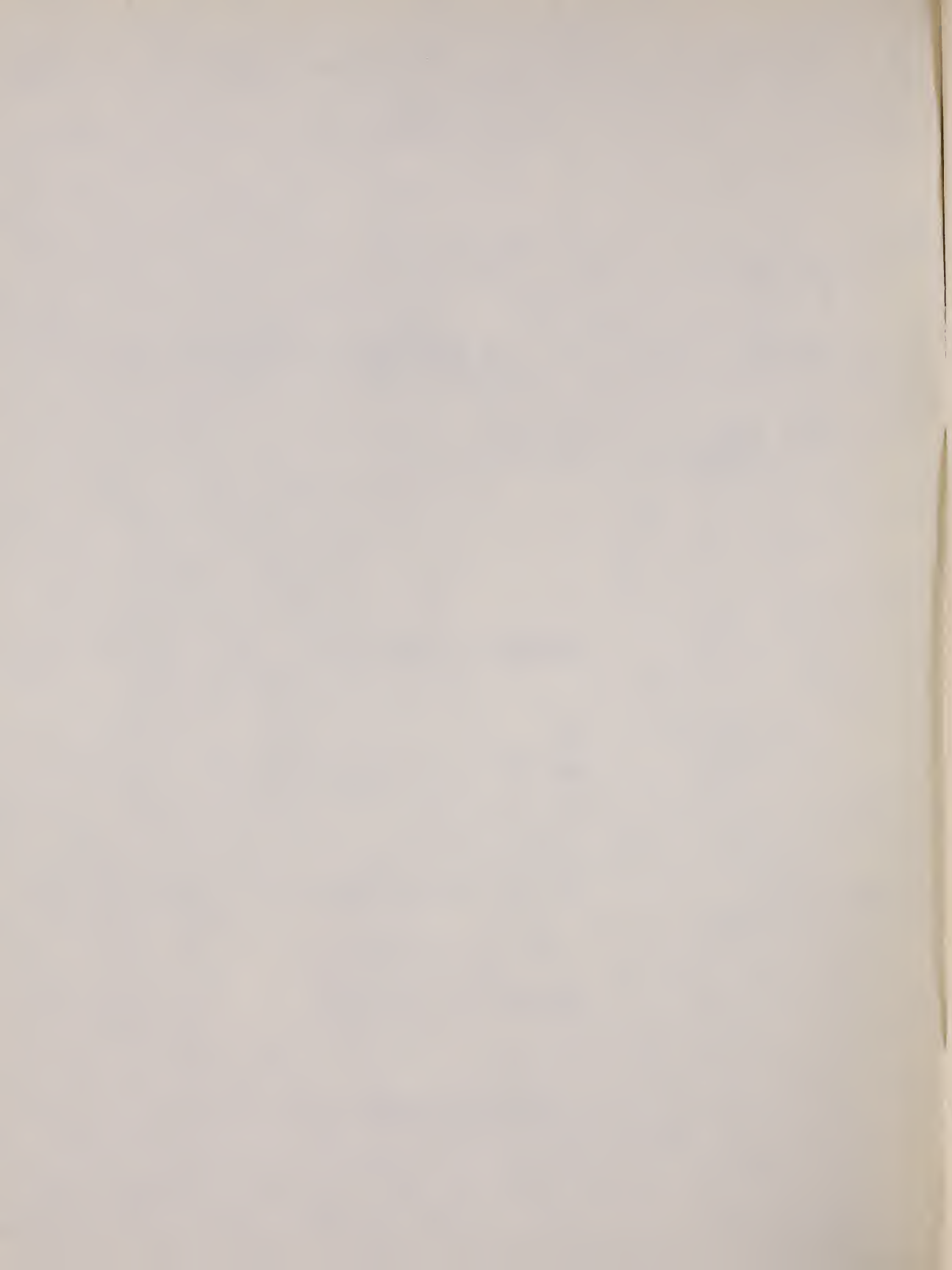
FACTORS AFFECTING DEMAND FOR FARM PRODUCTS

FOREIGN DEVELOPMENTS

CURRENT COMMODITY SITUATION

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T H E D E M A N D A N D P R I C E S I T U A T I O N
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Approved by the Outlook and Situation Board, November 6, 1961

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AGRICULTURAL SITUATION AND OUTLOOK FOR 1962

SUMMARY

The improved farm income situation this year is expected to continue into 1962 with little overall change in realized net incomes of farm operators. Gross farm incomes will likely rise some from 1961 levels, reflecting little change in cash receipts and some further increase in Government payments. But some rise in farm production expenses will likely offset any improvement in gross income. These expectations assume present farm programs and price supports, average growing conditions, an expansion in the demand for farm products, and no major change in the international situation.

The Current Agricultural Situation

Last fall at this time the outlook appraisal for agriculture stated that the general stability in farm prices, farm cost rates and farm income in 1959 and 1960 would carry into 1961. This appraisal assumed farm programs and support prices then in effect. Higher price supports were announced for several major farm products early this year and a Feed Grain Program was put

into effect which compensated farmers for limiting acreage planted to feed grains. These changes were primarily responsible for the improved farm income situation in 1961.

Primarily because of the Feed Grain Program, crop output this year will be 3 to 4 percent below 1960. However, crop marketings, part of which come from the record large 1960 crop, are expected to total nearly as large as in 1960. Marketings of livestock products are a little more than 3 percent larger than a year ago and the total volume of marketings in 1961 is expected to increase around 2 percent from 1960. With higher price supports on major crops and some strengthening in domestic demand, prices of farm products as a whole are expected to average about the same as in 1960. Because of the larger volume of marketings, cash receipts will likely increase by around 2 percent from the \$34.0 billion in 1960. Most of the gain would be in receipts from meat animals, soybeans, dairy products, tobacco and cotton. Government payments under terms of the 1961 Feed Grain Program, as well as partial advance payments under the 1962 Wheat Program, are expected to add around \$900 million to farm incomes in 1961. Accordingly, gross farm income indicated for 1961 totals around \$1½ billion above the \$38.1 billion in 1960. Prices paid by farmers for production items including interest, taxes and wage rates so far this year average nearly 1 percent above a year earlier. This is a relatively small increase compared with those in recent years. Even so production expenses this year may total around 2 percent above the \$26.4 billion in 1960. Thus, realized net income of farm operators is expected to increase around a billion dollars from the \$11.7 billion in 1960.

Agricultural Outlook, 1962

In the coming year, farm operators' realized net income will probably be about the same as the higher level this year. Cash receipts may change little from the level estimated for 1961. With a continuation of the Feed Grain Program, as well as the new 1962 Wheat Program, and assuming active participation, Government payments to farmers will increase some from 1961 to 1962. However, farm production expenses probably will continue to rise, although less than in 1961, and realized net income of farm operators is expected to continue at about the improved level in 1961.

Larger marketings of livestock products are likely in 1962 but crop marketings are expected to be smaller. With the Feed Grain Program again in effect in 1962, along with a similar program for wheat, crop output will again be limited. However, with average growing conditions, the uptrend in crop yields may continue in 1962. Nevertheless, smaller marketings of crops are in prospect for 1962. The uptrend in livestock production will continue in 1962 and result in a further rise in marketings, particularly of hogs, cattle, and dairy products. With present price supports for major crops and the increased support level for 1962-crop wheat, average crop prices may increase some again in 1962. But livestock product prices may ease slightly again next year.

A stronger domestic market for farm products in the coming year will be supplemented by continued large exports of farm products. Agricultural exports are estimated at a record \$5.1 billion in 1961, about 6 percent above

a year earlier. For 1962 as a whole, agricultural exports are expected to total about the same as in 1961. High levels of economic activity in Western Europe and Japan, record gold and dollar holdings in many countries trading with the United States, and the accelerated Food For Peace Program are expected to assure continued large exports of farm products in the coming year. Relatively large supplies of grains, fats and oils and other major export crops also will facilitate continued large shipments abroad. Exports of wheat and flour in the 1961-62 marketing year are estimated around 675 million bushels, compared with a record 662 million in 1960-61. Exports of all food fats (including oil equivalent of oilseeds) are expected to reach a new high, possibly one-third above the 1960-61 marketing year. Cotton exports will fall short of the 7 million bales exported during 1960-61 by about 1 million bales. Larger exports are also in prospect for fruits, vegetables and meat products.

General Economic Situation and Outlook

Rising consumer incomes and generally stronger domestic demand prospects for 1962 reflect the prospective further expansion in economic activity, output and employment. Although the expected expansion would take up much of the slack in the economy, it is not likely to be large enough to result in undue strain on productive capacity nor result in a significant upward rise in prices. The 1960-61 recession in economic activity bottomed out in the first quarter of 1961 and, since February this year, manufacturers' new orders for durable goods are up 18 percent, industrial output 12 percent, manufacturing employment 4 percent, consumer expenditures $3\frac{1}{2}$ percent and the gross national product about 5 percent. Much of this expansion reflects increased demand for inventories but a rise in defense spending, construction activity and consumer buying also contributed to the gain.

The pickup in economic activity is expected to continue in 1962, resulting in further advances in gross output, employment and consumer income for the year. Increasing demands from the Federal Government, according to the 1962 Federal Budget Review, are expected to result in purchases of goods and services rising about \$5 billion between fiscal years 1961 and 1962. The mid-1962 rate will be around \$6 to \$7 billion above the annual rate of \$56.6 billion in the second quarter of 1961. Most of this increase would be for defense and space programs. Expenditures by State and local Governments also will rise, possibly as much as \$4 billion in the coming year from the \$50.6 billion rate in the second quarter of 1961. Intensified demands for new public facilities and services for a growing population will result in larger construction outlays and increases in employment and wage and salary payments.

Business expenditures for new plant and equipment held relatively steady in the second quarter of 1961, extending to a year the relatively mild 1960-61 cutback in capital outlays. But, as economic activity continued to advance, expenditures for new plant and equipment, according to the SEC-Commerce survey, increased some 4 percent from the second to the third quarter and a further rise is scheduled for the final quarter of 1961. This uptrend will likely continue in 1962. New orders and industrial output are expected to continue to rise as demands on the economy expand. Corporate profits also have risen substantially from the first quarter low and will likely rise more with expanding economic activity. As in past years, investment outlays for

new products and cost reducing investments are expected to add to capital outlays, but excess productive capacity in manufacturing industries in general may moderate capital expansion plans for the coming year. Some further buildup in business inventories is expected to accompany the expansion in business sales. Stock-sales ratios are down from a year ago as a result of past inventory retrenchment. The increase in residential construction activity this year will likely extend into 1962, though further increases may be moderate. The rate of new family formations has changed little in recent years and an increasing proportion of new families are concentrated in the lower age groups which have limited financial reserves. Vacancy rates also have risen to the highest level in the postwar period. However, incomes are rising and Government policies are directed toward an easing of repayment terms and keeping mortgage interest rates from rising.

These across-the-board increases anticipated for capital expansion outlays, Government spending and other non-consumption outlays point to increases in output and employment and to rising consumer incomes and expenditures. However, indicated increases in output are not expected to generally overtax either the economy's productive capacity or the labor supply. Price increases, consequently, are expected to be moderate. Rising consumer incomes probably will contribute to increases in sales of automobiles, household and other durable goods, textiles, furniture, food and services in general. The increase in personal savings and declines in installment credit outstanding this year also place consumers in a better position for increased buying.

With general economic activity advancing, prospects are for some tightening of our balance of payments position during the coming year. Imports by the United States declined as business activity slackened in 1960, but are expected to rise relative to exports as the domestic business pace quickens. During 1961 money and credit conditions were relatively steady, with short-term interest rates below pre-recession levels and a high level of free reserves in the banking system. The demand for funds is expected to increase as business activity rises and there may be some tightening in interest rates and money and credit conditions generally.

COMMODITY HIGHLIGHTS

Prospective slaughter of meat animals points toward per capita meat consumption in 1962 at about the levels of the last few years. Cattle slaughter in 1962 is likely to be up about 4 percent from the expected 26.2 million head slaughtered this year. Total beef production will be up somewhat less because slaughter weights probably will be down, and cattle prices may show little change. Pork production in 1962 is expected to increase somewhat from this year's level, estimated at about 1 percent less than in 1960. The nominal increase in prospect for 1962 will exert little price pressure, and hog prices are expected to average only slightly below this year's level. Next year's lamb slaughter probably will be smaller than this year's -- the largest since 1948 -- and some price recovery is expected in 1962.

Milk production is expected to increase further in 1962 from this year's expanded output. Production in 1961 is likely to total about 2 billion pounds more than in 1960. As a result of the larger milk production and a decline in commercial consumption of milkfat, supplies this year are exceeding commercial requirements by a substantially wider margin than in the past three years. In those years, CCC purchased about 3 percent of all milkfat produced. This year purchases may run about 6 percent and increase even more in 1962.

Egg production in 1962 is likely to be slightly larger than the 170 million cases to be produced in 1961. The prospective larger output means 2 or 3 additional eggs per person will be available, and egg prices to producers are likely to average slightly below prices in 1961.

Output of broilers this year is expected to be 12 percent or more greater than in 1960, and prices have reflected the large supply. The 1961 average price to producers will probably be about 3 cents below the 16.9 cents per pound received in 1960. Despite record low prices this year, broiler production in 1962 may not change much from the expected 1961 total.

The 1962 turkey crop is likely to be down from this year's record of 107 million turkeys, which was 26 percent greater than the 1960 crop. Output, nevertheless, probably would still be considerably more than the 85 million birds raised in 1960. If made effective, currently proposed Marketing Orders will partly influence the 1962 volume of production and price outlook. Record stocks of frozen turkeys will limit rises in prices to producers until about late summer. Prices in 1961 will average about 20 cents per pound, about 5 cents below the 1960 average.

The wool outlook for 1962 indicates a moderate increase in domestic wool consumption, mill activity, foreign trade in raw wool and wool products, and average prices received for shorn wool. The expected strengthening in the wool market largely stems from the increased economic activity in prospect for 1962.

With the 1961 wheat crop 10 percent smaller than a year ago, total use during the 1961-62 marketing year is expected to slightly exceed the reduced supply, resulting in some reduction in carryover on July 1, 1962. This would be the first decline since 1958. The Wheat Program for the 1962 crop requires a minimum 10 percent reduction in acreage allotments, indicating a somewhat smaller crop for 1962 than this year's crop which was reduced by drought in the spring wheat area. The season average price to farmers for the 1961-62 wheat marketing year may average above the announced support of \$1.79 per bushel for the first time since 1947-48 when exports were heavy and supplies limited. This year there is a strong export demand and withholding in anticipation of higher prices because of the increased price support rate for 1962-crop wheat--the national average support price is \$2.00 per bushel.

The 1961 rice crop as of October 1 was estimated at 54.7 million hundred-weight, about the same as the 1960 crop. With a reduced carryover, the 1961-62 marketing year supply is 3 percent below a year ago and 11 percent below the 1955-59 average. Prices received by farmers for 1961-crop rice are expected to average well above the announced support rate of \$4.71 per hundredweight. Acreage allotments, marketing quotas, and the price support for the 1962 rice crop are expected to be announced after mid-November.

Domestic use and exports of feed grains in 1961-62 are expected to continue near the high levels reached in 1960-61. With this year's crop down about 11 percent, the carryover into 1962-63 is expected to be reduced about 5 million tons below the record carryover of 84 million tons this year. The smaller supply, continued high use, and the increased support rate for 1961 feed crops point toward slightly higher feed grain prices in 1961-62 than in the year earlier. The large volume of corn and sorghum grain to be sold under the 1961 Feed Grain Program will also influence the level of feed grain prices. The USDA announced that certificate sales of corn will be made at levels not below generally prevailing prices received by farmers in the fall of 1960 for the 1960 crop.

The total supply of edible fats, oils, and oilseeds during the 1961-62 marketing year is forecast at a record 16.1 billion pounds (in terms of oil), 15 percent more than the quantity available a year earlier. Current prospects are that exports of food fats may set a new record of 4.5 billion pounds, roughly one-third more than the 3.2 billion pounds exported during 1960-61. The 1961-62 soybean supply is estimated at 716 million bushels, 134 million bushels more than the previous year. Even though exports and domestic use are expected to be record large, a carryover of around a record 75 million bushels is likely next October 1. The season average price received by farmers for 1961-crop soybeans is estimated at the support level of \$2.30 per bushel. This would be about 5 percent more than the season average price a year earlier. Cottonseed production in 1961 is estimated at about the same as a year ago. Prices to farmers for 1961-crop cottonseed are expected to average slightly above the CCC purchase price of \$45 per ton, basis grade (100), about 6 percent more than the price received for the 1960 crop.

The 1961 crops of deciduous fruits, except apricots and cranberries, were larger than the respective 1960 crops; all, except apricots, pears, and prunes were also above average. The 1961-62 orange crop (excluding California Valencias, which were 12 percent of the total 1960-61 crop) is expected to be about 12 percent above the comparable volume in 1960-61.

Supplies of vegetables for fresh market sales the remainder of this fall are expected to be moderately smaller than last year and prices to growers likely will average above those of a year earlier. Supplies of both canned and frozen vegetables are expected to be somewhat larger than a year ago. But, with higher raw product costs for many items, and higher processing and distribution costs, f.o.b. and retail prices of canned vegetables for the season are expected to average above those of last season, and prices of frozen items near those of a year earlier. The fall potato crop is a tenth larger than last year and the Department of Agriculture, at industry request, is operating a program to assist growers in marketing the large 1961 crop.

Production of cotton in 1961 was estimated at about 14.3 million running bales as of October 1, about the same as last year. Disappearance is expected to be smaller than in 1960-61 because of a probable decline in cotton exports more than offsetting an expected increase in mill consumption. Exports are expected to be below the 6.6 million bales of 1960-61. The carryover of cotton next August probably will be close to the 7.2 million bales carried over on August 1, 1961.

The 1961 consumption of tobacco in the form of cigarettes and cigars will total more than a year ago and demand is expected to increase in 1962. Exports of unmanufactured tobacco in 1961 are expected to total 480 million pounds, (declared weight)--approximately 3 percent lower than in 1960 and $1\frac{1}{2}$ percent below the recent 10 year average. Competition from expanded production abroad continues to increase and trade barriers hamper U. S. exports.

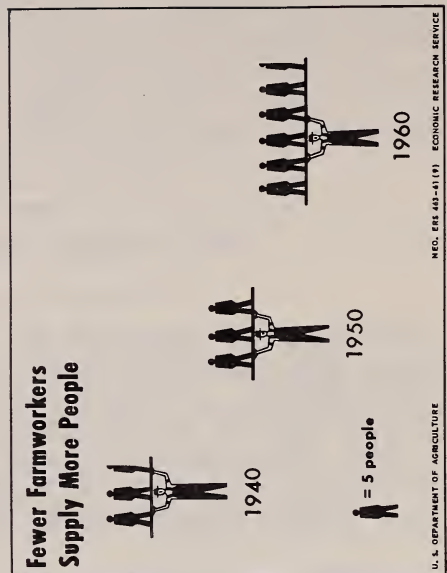
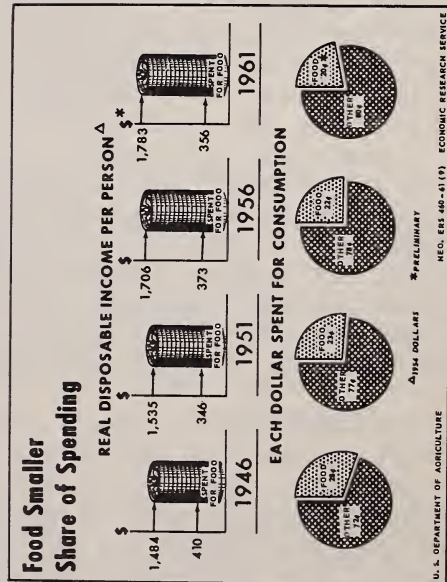
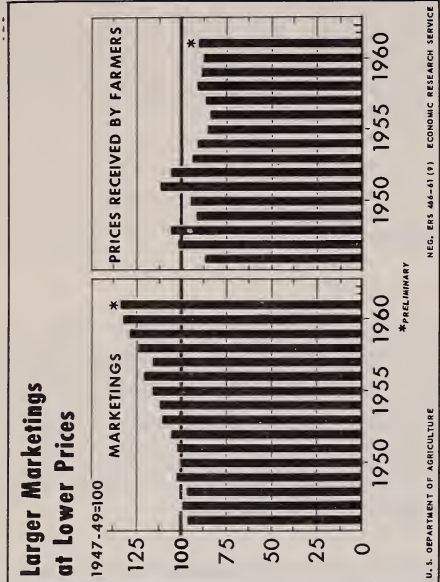
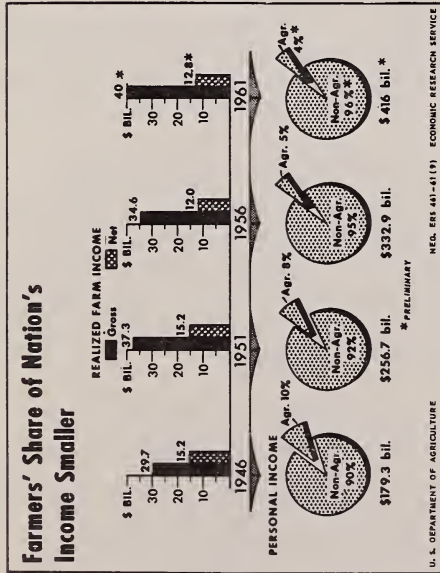
GENERAL AGRICULTURAL SITUATION

Net farm income in 1961 may total about a billion dollars more than in 1960 when farm operators realized a net income of \$11.7 billion. Cash receipts from the marketing of farm products are expected to be around 2 percent more than a year ago due to a larger volume of marketings and prices about the same as in 1960. The expected increase in cash receipts is being supplemented by larger Government payments to farmers stemming from the 1961 Feed Grain Program and some advance payments under the 1962-crop Wheat Program.

Larger cash receipts from marketings in 1961 and increased Government payments under the new agricultural programs--indicate a prospective rise in farmers' realized gross farm income of around \$1 $\frac{1}{2}$ billion. But rising cost rates--interest payable per acre in 1961 is 7 percent higher than last year, taxes payable per acre are up a little more than 8 percent from a year ago, and farm wage rates are about 1 percent higher than in 1960--will probably push up production expenditures and offset part of the rise in realized gross income.

The outlook for 1962 indicates realized net incomes of farm operators at about the level now estimated for 1961, assuming a continuation of present support levels for most commodities, no significant departure from average growing conditions, and including the probable effects of the Feed Grain and Wheat Programs and other provisions of the Agricultural Act of 1961. With smaller marketings in prospect, cash receipts from crops in 1962 probably will total a little less than the estimated level for this year. Marketings of livestock and livestock products are likely to increase in 1962 and receipts are expected to total a little larger, particularly for dairy and poultry products, but somewhat smaller cash receipts are indicated for hogs. Overall, cash receipts and Government payments to farmers are likely to total larger than the prospective 1961 amounts, but perhaps not sufficiently to more than offset some rise in total production expenditures by farmers.

Complementing the improved farm income situation this year and the favorable outlook for 1962 is a somewhat firmer undertone in market prices of farm real estate than prevailed in 1960. At mid-year, market values of farm real estate averaged about 2 percent higher than in July 1960 and 77 percent higher than the average for 1947-49. Farmers continue to bid strongly for additional land for farm enlargement while expectations of some further capital appreciation tends to restrict the amount of land offered for sale. As a result, the rate of voluntary sales has remained at a low level in recent years, and in the year ended March 1, 1961 it was the lowest since the early 1930's.



Cash Receipts Exceed
Year Ago

Through October of this year both the volume of farm marketings and the level of prices received by farmers exceeded year-ago levels, resulting in cash receipts around $2\frac{1}{2}$ percent greater than in the comparable period of 1960. Receipts from crops were almost 3 percent greater than in January-October 1960, due mostly to substantially higher prices for soybeans. Receipts from livestock and livestock products exceeded the first ten months of 1960 by about 2.4 percent as a result of higher prices for hogs and higher average prices and larger marketings of milk.

While cash receipts from marketings of farm products were higher than in the first ten months of 1960, prices paid by farmers for production items, interest, taxes, and wage rates were up 1 percent. Farm wage rates rose somewhat over the 10 month span, and interest and taxes payable per acre continued to trend upward. Prices paid for production items changed little, with lower prices for motor vehicles about offsetting higher prices for farm machinery and fertilizer.

Prices received by farmers for the sale of farm products reached a low for this year in June and then advanced. At 240 percent of the 1910-14 average in mid-October, the index of prices received by farmers was 2.6 percent higher than in June, but fractionally below the level of a year ago. During January-October of 1961, farm product prices averaged 1 percent higher than in the corresponding period in 1960, with prices for crops a little more than 2 percent higher and livestock and livestock product prices about unchanged. During the remainder of 1961, producer prices may average a little below the late months of 1960, largely due to lower prices for hogs and poultry and eggs. For 1961 as a whole, farm product prices are expected to be about the same as the average for 1960.

1962 Price Outlook Indicates
Little Overall Change

The outlook for farm product prices in 1962 points toward little change overall from the average level in 1961, assuming continuation of present farm programs and support prices. An expected rise in crop prices is likely to be about offset by some further small decline in prices for livestock and products.

Prices received by farmers for wheat will be higher next year because the average support price for the 1962 crop has been set at \$2.00 per bushel, compared with the 1961-crop support price of \$1.79. Corn prices in 1962 are expected to average higher than this year, if the current support of \$1.20 per bushel is continued for the 1962 crop, because during 1961 part of the 1960 corn crop was marketed at the 1960-crop support price of \$1.06 per bushel.

Table 1.--Agricultural prices, marketings and income,
selected years, 1946 to date

Item	Unit	1946	1948	1950	1952	1954	1956	1958	1959	1960	1961		
											First : qtr. :	Second : qtr. :	Third : qtr. :
Prices received by farmers	1910-14=100	236	287	258	288	246	230	250	240	238	243	236	240
Crops	1910-14=100	228	255	233	267	242	235	223	221	221	221	229	230
Livestock	1910-14=100	242	315	280	306	249	226	273	256	253	261	243	248
Prices paid, interest, taxes and wage rates													
Family living items	1910-14=100	208	260	256	287	277	278	293	297	299	302	301	301
Production items	1910-14=100	202	251	246	271	270	274	287	288	290	291	290	290
Parity ratio	1910-14=100	191	250	246	274	255	250	264	266	265	267	266	265
Volume of farm marketings	1947-49=100	96	97	100	106	112	121	124	129	133	116	107	141
Crops	1947-49=100	86	98	96	101	105	111	121	124	130	100	65	144
Livestock	1947-49=100	103	96	104	109	117	128	126	133	134	128	139	139
Cash receipts from farm marketings													
Crops	Bill. dol.	24.8	30.2	28.5	32.6	30.0	30.6	33.4	33.5	34.0	1/35.3	1/34.0	1/34.4
Livestock	Bill. dol.	11.0	13.1	12.4	14.4	13.7	14.3	14.2	14.6	15.1	n.a.	n.a.	n.a.
	Bill. dol.	13.8	17.1	16.1	18.3	16.3	16.3	19.2	18.9	18.9	n.a.	n.a.	n.a.
Farmers' realized net income	Bill. dol.	15.2	16.1	13.2	14.4	12.2	12.0	12.6	11.2	11.7	1/12.6	1/12.5	1/12.4

1/ Quarterly data at seasonally adjusted annual rates.

n.a. Not available.

The season average price received by farmers for 1961 crop soybeans during the current crop marketing year which extends through September 1962 is likely to average around the support level of \$2.30 per bushel. This would be about 5 percent more than a year earlier. During the current harvest period soybean prices are likely to dip below the 1961-crop loan level because of much larger supplies this year, but will then advance seasonally with the cost of storage.

Prices received by tobacco growers are likely to average about the same as this year. The support price for 1961 crop cotton was 31.88 cents per pound for the average of the crop, compared with 30.1 cents per pound for all kinds of cotton in 1960. The support level for 1962 crop cotton, which will largely determine the price to farmers, will be announced in February.

The outlook for prices of livestock and livestock products to be slightly lower during 1962 compared with 1961 arises from prospective slightly lower prices now indicated for hogs and eggs, relatively unchanged prices for cattle, and chickens, and perhaps some rise late in 1962 in turkey prices. Hog prices in 1962 are likely to be below the year earlier as marketings will be larger. The fall pig crop will probably be about 2 percent larger than in 1960 and the 1962 spring pig crop is likely to be 3 to 5 percent above farrowings this spring. Marketings of cattle and calves in 1962 are expected to be larger than in 1961 and prices may show little change from the average level for this year.

Egg prices to producers are currently below the level of last fall. With a slightly larger laying flock now on hand, and some rise in rate of lay likely, egg prices probably will average somewhat below year-earlier levels through next summer. Despite the low broiler prices, 1961 production is estimated to be at least 12 percent larger than a year ago, and cutbacks so far indicated appear to be only slight. Some pickup in turkey prices appear likely after mid-1962 as producers are likely to raise fewer birds than this year. Turkey production in 1961 is 26 percent larger than in 1960 and in mid-October prices to growers averaged 32 percent below the year earlier. Through October, prices for the dairy product group averaged above 1960 levels, reflecting higher support levels this year.

1962 Marketings Not Greatly
Different From 1961

The total volume of marketings in 1962 is not expected to be greatly different from this year's total. Marketings of crops are likely to be smaller in 1962 than in 1961. Acreage restrictions under the new 1962-crop Wheat Program and the addition of barley to the 1962 Feed Grain Program will again limit grain production in 1962. Although the expected reduction in grain output is expected to reduce somewhat the large stocks of these commodities, supplies will be adequate to meet domestic needs and export requirements. Marketings of livestock in 1962 will be somewhat larger than in 1961, with hog marketings exceeding year ago levels, and some rise in marketings of cattle and calves, milk, and eggs.

1961 Output Near Record Level

This year, despite a severe summer drought in parts of the country, hurricane damage to some crops in September, and acreage reductions under the 1961 Feed Grain Program, total output of farm products is expected to be about 26 percent larger than the average for 1947-49 as yields reached record levels and livestock output rose. In 1960, output was a record 27 percent larger than the 1947-49 average.

Estimated crop production for 1961, much of which will be marketed in 1962, is down a little more than 3 percent from last year, according to the October Crop Report. Output of corn and grain sorghums, although yields reached new records, is 9 and 21 percent, respectively, below 1960 production due to cutbacks in acreage under the 1961 Feed Grain Program. Output of wheat is estimated to be 10 percent below the 1960 crop, largely due to drought damage to the spring wheat crop. Partly offsetting the smaller output of grains are prospective increases of 27 percent in soybean production, 16 percent in sugar crops, 11 percent in fall potatoes, and 3 percent in tobacco. Cotton production is indicated to be about the same as last year.

Livestock and livestock product output is expected to be about 4 percent larger in 1961 than in 1960. So far this year, the number of cattle marketed total 4 percent more than the year earlier. Broiler output is expected to be as much as 12 percent larger than last year and the turkey crop may be as much as 26 percent larger. Milk output is also expected to be up somewhat, but hog marketings are down slightly.

Some increase
in CCC Investment

The reduced 1961 output of feed grains and food grains will cut somewhat the Commodity Credit Corporation's investment in inventories and price support loans in these commodities during the fiscal year ending June 30, 1962 but a rise in cotton stocks will be more than offsetting. As of June 30, 1961, the CCC owned and had under price support more than 2 billion bushels of corn, 1.4 billion bushels of wheat, 405 million hundredweight of grain sorghums, and 96 million bushels of barley. These four commodities made up 86 percent of CCC investment in inventories and price support loans. CCC holdings of cotton, including loans, may rise around 3.0 million bales during the fiscal year 1961-62. CCC held about 1.5 million bales of cotton on August 1 of this year, the smallest amount held by CCC since the Korean War period, and compared with 5.0 million bales on August 1, 1960. The sharp reduction during 1960-61 reflects withdrawals from CCC-stocks of cotton by commercial interests in anticipation of the higher price support.

Farm Product Exports to Continue
at Record Levels

About one-sixth of net farm output is expected to be shipped abroad this year. The value of agricultural exports in 1961 is estimated at a record \$5.1

billion, about 6 percent above the previous year's \$4.8 billion record level for a calendar year. Roughly three-fifths of these exports are estimated to have received some form of Government assistance. General indications now are that exports of farm products in 1962 will continue at or near the record level of this year.

Estimates of U. S. agricultural exports in the fiscal year ending June 30, 1962, are also expected to total around \$5.1 billion, slightly above the \$4.9 billion record level for the fiscal year ending June 30, 1961. Volume also is expected to set a new record in 1961-62, although part of the rise in value will represent somewhat higher unit export values for cotton and certain grains.

Both foreign and domestic developments will contribute to the high level of exports. Economic activity in Western Europe and Japan continues near the rapid pace of recent years and gold and dollar holdings of many of the trading partners of the United States are being maintained at record levels.

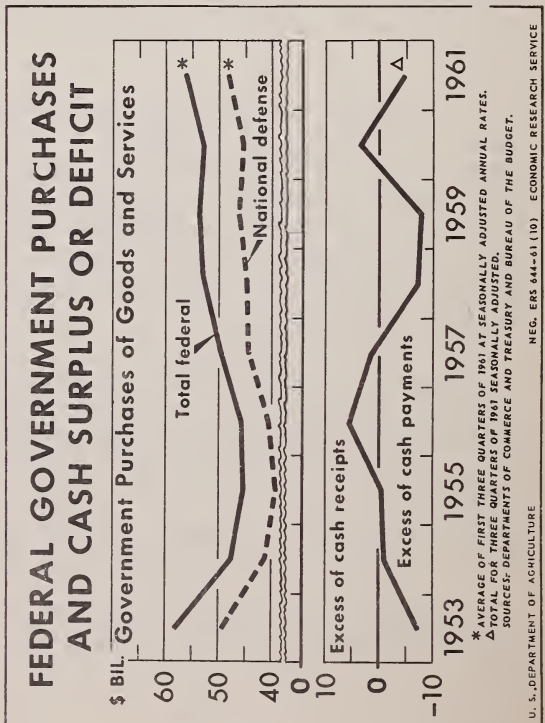
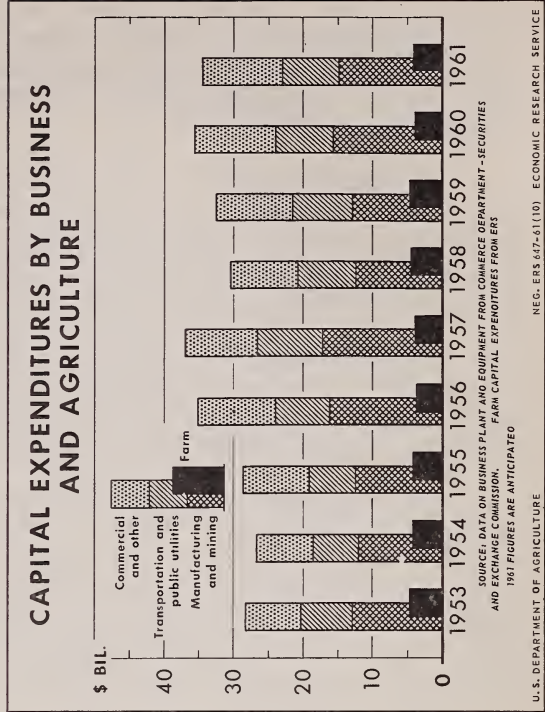
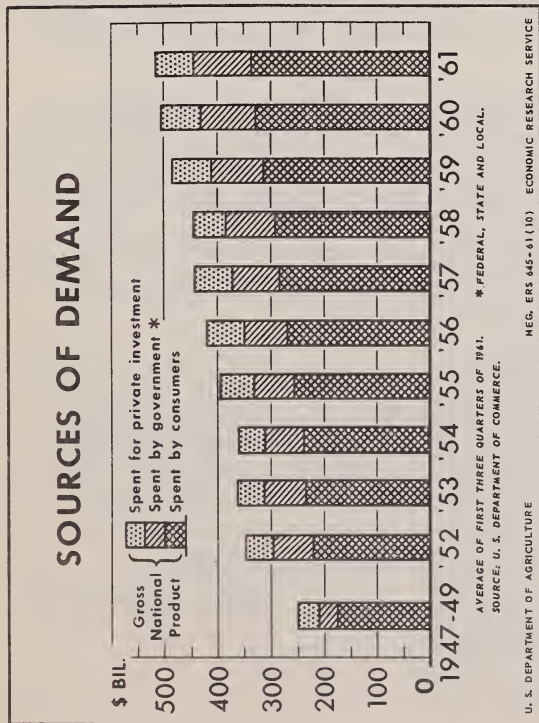
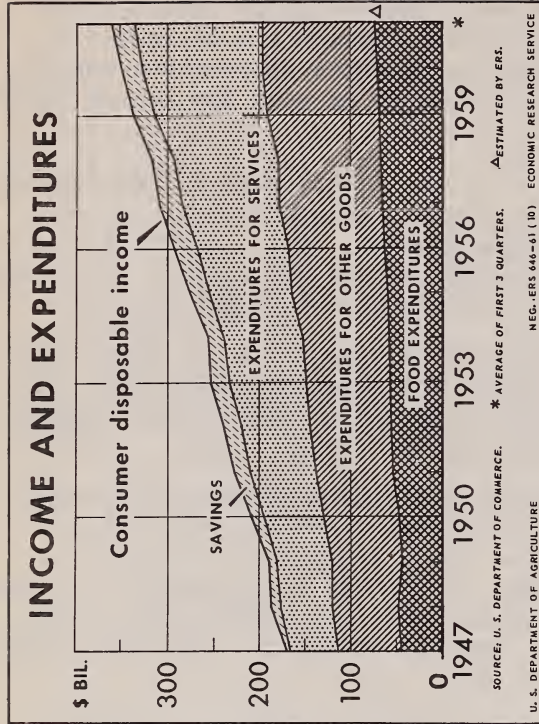
On the domestic side, there are plentiful supplies of high-quality farm products available for export. Moreover, the payment-in-kind program will assist the United States to compete with other major producers in a number of world markets, such as those for cotton, wheat, rice, and feed grains. For the newly developing countries which are short of dollars, the United States will make farm products available without dollar payment, primarily under the foreign currency sales provisions of Title I of P. L. 480.

Dollar exports (some under export payment programs) represented nearly 70 percent of all farm exports last year. Commodities assisted by export payments--two-fifths of the dollar sales and two-thirds of the Public Law 480 and Public Law 665 exports--made up about half of last year's agricultural export total.

Exports of wheat (including flour) in fiscal year 1962 are expected to reach a new high of 675 million bushels compared with the record of 662 million bushels in the previous year. Wheat production in Western Europe was down in 1961 and the area will need to step up imports. Cotton exports are likely to be under 6 million bales compared with shipments of 7 million bales in 1960-61, when a large part of U. S. exports went into inventory rebuilding. Feed grain exports will likely reach 12.5 million tons in 1961-62, near the high level of the past two years.

Exports of oilseeds and products, including large quantities of oils for overseas donation, in the 1962 fiscal year are estimated at about 20 percent greater than last year's \$603 million, with increases in soybeans, vegetable oils, and protein meal. A strong European demand for protein meal for feed, continued relatively small exports of soybeans from Communist China, smaller olive oil crops in Spain and Italy, and increased programming to countries such as Pakistan and Turkey, are important factors in the export outlook.

Exports of animal products in 1961-62 may be somewhat above last year's \$618 million, and those of fruits and vegetables are likely to be moderately



above the level a year ago due to a smaller production of deciduous fruits in Europe. Cash exports of rice are expected to continue at the low level of last year, but total exports will depend on the size of the Government export program for rice. Unmanufactured tobacco exports may be down a little from last year's 504 million pounds. More competition and larger stocks abroad, and the continued existence of trade barriers are major factors in the expected export reduction.

FACTORS AFFECTING DEMAND
FOR FARM PRODUCTS

Economic trends in late 1960 and early 1961 pointed lower, and the Nation's output of goods and services in the first quarter of 1961 declined \$5.6 billion from the record high reached in April-June 1960. A reduction of \$14.8 billion in gross private domestic investment, mostly an inventory adjustment, was only partly offset by an increase of \$5.4 billion in Federal, State, and local Government purchases, a rise of \$3.0 billion in net exports of goods and services, and a \$1 billion increase in personal consumption expenditures. Although output and employment fell off, per capita disposable personal income declined only fractionally in this period as unemployment benefits and other transfer payments offset most of the reduction in labor income.

Recovery from the 1960-61 recession low in the first quarter this year has been about as rapid as the previous recovery period in 1958. Between the first and third quarters of 1961 the Nation's output rose \$25 billion, about 5 percent. Like the early phases of other postwar recovery periods, the change from rapid liquidation to accumulation of inventories gave the biggest boost to national output. In addition, an expansion in Federal expenditures, up \$2 billion, and a rise of over \$1 billion in State and local purchases were a major support to the recovery. Residential construction outlays rose some, mostly for multi-family units. During the third quarter capital spending by businessmen, which usually lags the recession low point, began to rise moderately. With increased national output, personal disposable income per capita, after adjustment for prices, climbed $2\frac{1}{2}$ percent from the first to third quarters, the first rise since early 1960. Consumer buying was supported by a pickup in sales of autos and other durable goods in the spring and a rise in nondurable goods in the summer.

Prospective trends in economic activity favor a stronger demand for food and other farm products in 1962. The Nation's output of goods and services is expected to advance further in 1962. Rising Federal outlays, particularly for defense and space programs, will be a major sustaining force in the coming year. Federal purchases of goods and services are expected to rise \$5 billion between fiscal years 1961 and 1962, according to the 1962 Federal Budget Review. State and local Government purchases will probably be close to \$4 billion higher, continuing their postwar trend. Plant and equipment spending is rising now, and with improved profits and rising output, a further expansion is likely in 1962. Some further rise in inventories to handle the

Table 2.--Gross national product and personal disposable income quarterly 1960 and 1961

Item	(Seasonally adjusted at annual rates)				
	1960		1961		III 1/
	III	IV	I	II	
	Bil.dol.	Bil.dol.	Bil.dol.	Bil.dol.	Bil.dol.
Gross national product:					
Consumer expenditures for goods and services	505.1	504.5	500.8	516.1	526.0
Durable goods	329.7	332.3	330.7	336.1	342.0
Automobiles and parts	43.4	43.8	39.4	42.0	42.5
Furniture and household equipment	17.8	18.6	14.8	16.7	n.a.
Nondurable goods	18.7	18.3	17.8	18.3	n.a.
Food and beverages	152.7	153.1	153.7	154.1	157.0
Clothing and shoes	79.9	80.8	81.1	81.4	n.a.
Other	28.3	27.7	27.9	27.6	n.a.
Services	44.5	44.6	44.7	45.1	n.a.
	133.6	135.4	137.5	139.9	142.5
Gross private domestic investment					
New construction	70.5	65.6	59.8	68.8	73.0
Residential	40.4	40.7	39.6	41.3	42.5
Other	21.0	20.5	19.3	20.6	21.9
Producers' durable equipment	19.4	20.2	20.4	20.7	20.6
Change in business inventories	27.7	26.7	24.2	24.7	26.0
Net exports of goods and services	2.4	-1.9	-4.0	2.8	4.5
Government purchases of goods and services	3.0	5.1	5.3	3.9	2.5
Federal					
State and local	101.9	101.6	105.0	107.3	108.5
Personal disposable income	54.0	53.0	54.7	56.6	56.9
	48.0	48.6	50.3	50.6	51.6
	354.4	354.9	354.3	361.8	367.8

1/ Preliminary estimates of Council of Economic Advisers.
 Department of Commerce, except as noted.
 n.a. Not Available.

larger volume of goods produced and sold is likely during the coming year. The probable increases in the private business and Government sectors would generate a substantial rise in consumer incomes and consumer expenditures.

Federal Spending To Rise
in 1961-62

Federal Government expenditures rose rapidly in the last half of 1958 in response to measures taken to combat the 1957-58 recession. Budget expenditures in fiscal year 1959-60 at \$76.5 billion were \$3.8 billion below the previous year. Federal budget expenditures totaled \$81.5 billion in 1960-61, up around \$5 billion from a year earlier. Federal Government purchases increased from \$52.9 billion in 1959-60 to \$54.6 billion in 1960-61, mostly because of the expanded defense program. Increases in social security and unemployment benefits and special Government life insurance dividend payments added to consumers buying power.

A further expansion in Federal Government spending is scheduled during the current fiscal year which ends June 30, 1962. Federal budget expenditures are estimated at \$89 billion, up \$7½ billion from 1960-61. With expanding national output, budget receipts are estimated at \$82.1 billion, an increase of about \$4½ billion above 1960-61. The budget deficit at \$6.9 billion in 1961-62, will compare with a deficit of \$3.9 billion in 1960-61. Over half of the increase in spending in 1961-62 will be for major national security programs. Space exploration and flight technology programs are scheduled to expand sharply, and expenditures for international programs are also expected to rise, due mainly to increased economic aid to Latin America. Total expenditures for agriculture and agricultural resources are expected to be up \$1.1 billion between 1960-61 and 1961-62. Net expenditures of the Commodity Credit Corporation for its price support activities are expected to be higher in 1962 than in 1961, primarily because of a smaller volume of sales of cotton, and because of payments to farmers for reduction of wheat and feed grain acreage under the Agricultural Act of 1961. Increases are also estimated for land and water resource projects, public assistance grants, public health activities and veterans' benefits. Federal purchases of goods and service included in the national income accounts are expected to total \$59.7 billion in 1961-62, up \$5.1 billion from 1960-61. Prospective increases in Federal expenditures are reflected in the record volume of new orders placed with manufacturers in recent months.

Spending by State and local Governments has increased on the average of about \$3-4 billion a year during the postwar period. In the third quarter of 1961 State and local purchases were at an annual rate of \$51.6 billion, up \$3½ billion from a year earlier. The demand for State and local Government facilities and services has been intensified by the increases in the number of school children and persons over 65 years of age. The shift of our population to metropolitan areas has increased the demand for public facilities such as mass transportation, water, and sewage systems. State and local Governments payroll costs have increased sharply; employment rose a fourth between 1955 and 1960, mostly in public school systems. The general rise in prices and wage costs also has increased outlays.

In the coming year the pressures for additional State and local services will be intense. Mounting needs for enlarged community facilities will tend to increase construction outlays, and a further rise in employment and average earnings is likely. Overall, a continuation of the increase of close to \$4 billion is likely in 1962.

Capital Spending Turning Up

Business fixed investment outlays in the 1958-60 recovery fell short of the postwar peak in 1957 by about 4 percent. Between the second quarters of 1960 and 1961, capital spending declined 8 percent and the mid-1961 annual rate of \$33.5 billion was 11 percent below the 1957 peak. If adjustment is made for the increase in construction and machinery costs since the 1957 peak, the rise in capital plant was even smaller. Between the third quarter of 1957 and mid-1961 prices of equipment rose $4\frac{1}{2}$ percent and construction costs were up 7 percent. While the decline in late 1960 and early 1961 was the mildest of the postwar period, the additions to the Nation's capital stock in recent years have slowed appreciably.

Plant and equipment spending according to the latest Securities and Exchange Commission-Department of Commerce survey is moving up in the last half of 1961. Business outlays for new plant and equipment in the current third quarter will increase nearly 4 percent from the second quarter of this year. A further rise of about 3 percent in the fourth quarter of this year is implied from the survey data. Such a rise would put new plant and equipment expenditures at almost \$36 billion--a little below the \$36.3 billion annual rate in the second quarter of 1960. By industry groupings, the largest increases, ranging from 8 to 13 percent, are occurring among nondurable goods producers, commercial firms, and public utilities. Durable goods firms, which accounted for about half of the 1960-61 decline and have the largest excess capacity, are contributing only a small share of the rise. Railroad outlays continue to decline in the last half of 1961, reflecting sagging revenues.

During the coming year a further expansion of business capital spending is likely as the economy expands. With demand rising, industrial production, which in July-September averaged 112 percent of its 1957 average, was a tenth above the 1961 low of 102 in February. Industrial production is likely to register even greater gains over the next year. Operating rates are rising, and the further expansion in output likely next year should stimulate increased capital spending in many industries. Corporate profits in the second quarter of 1961 were at a \$45.5 billion annual rate, up substantially from the first quarter low. Further rises in profits are likely in 1962, contributing to confidence in businessmen's ability to finance an expanded volume of plant and equipment outlays.

Inventory Buildup in Progress

Business inventories are the most volatile element in the private investment sector at business cycle turning points. A great deal of the drag on the

economy in the past year resulted from initial moves to adjust inventories downward from the rapid accumulation in the first quarter of 1960. Inversely, the turnaround from net inventory liquidation in the first quarter of 1961 to net buildup in the second and third quarters provided much of the push in the gross national product rise from the recession low. Inventories were liquidated at an annual rate of \$4 billion in the first quarter of this year but businessmen began to increase stocks and in the third quarter the rate of accumulation reached $\$4\frac{1}{2}$ billion. This represents a net addition to the gross national product of $\$8\frac{1}{2}$ billion between the first and third quarters.

New orders placed with manufacturers rose from \$28.5 billion, seasonally adjusted, in January to \$32.1 billion in August, a rise of 13 percent. During the same period manufacturers' sales increased 10 percent. Part of the volume of new orders reflected the stepup in the defense effort but also a generally rising volume of private activity. In the first 6 months of 1961, the Department of Defense major procurement obligations (orders) rose nearly a billion dollars, up 8 percent from the first 6 months of 1960. Obligations for research and development were up 5 percent while military construction orders were off a little more than a tenth. Manufacturing and trade inventories in relation to the level of manufacturing and trade sales, declined from the 1.57 ratio in January to 1.46 in August, and compared with 1.54 a year ago.

Some further buildup in inventories is likely over the next year if economic activity expands as is presently indicated. But, further additions to the rate of buildup probably will not give as great a net boost to output as it did with the turnaround in inventories since the first quarter of this year. After the initial turnaround, inventory accumulation during the postwar expansions have generally ranged from a \$4 to \$6 billion annual rate, except during the Korean defense buildup in 1951.

Housing Starts Up 12 Percent Since Winter

Residential construction outlays have risen moderately from the relatively low rate in the first quarter of 1961, less than the advance in the previous expansion period in 1958. In the third quarter residential outlays were at an annual rate of \$21.9 billion, 13 percent above the first quarter and 4 percent above a year ago. Private housing starts were at an annual rate of 1,197,300 units in the first quarter, by the third quarter starts averaged 1,341,000 units, a rise of 12 percent. The character of the housing market has changed considerably in the past several years. An increasing proportion of starts are multi-family units. In the first half of 1961 over a fifth of starts were in 3-or-more family units compared to less than 10 percent in 1956. An increasing proportion of family formations are concentrated in the lower age groups (15-24 years) where incomes tend to be lower and financial resources often are insufficient to purchase new homes.

While interest rates on mortgages are high in relation to earlier post-war recovery periods, present Federal Government policies are directed toward

keeping mortgage interest rates from rising. In addition, the level of residential housing activity in 1962 will be stimulated by the lengthening of terms on Government-assisted mortgages. The 1961 housing legislation permits FHA to extend maximum maturities to 35 years on insured mortgages in contrast to the previous maximum of 30 years. In addition, the maximum amount of FHA insured loan has been increased from \$22,500 to \$25,000. The continued rise in vacancy rates, which are currently the highest in the postwar period, will tend to hold down housing activity over the coming year. But, on balance, the favorable effects of probable higher consumers income and Government housing policies will result in some further rise in housing starts and outlays in 1962.

U.S. Balance of Payments
Improves in First Half 1961

The U.S. balance of payments position during the first half of 1961 improved substantially in comparison to the large annual deficits of the three previous years. The record balance-of-payments deficit in 1960 resulted from an unusual short-term capital outflow in response to higher interest rates abroad and speculative pressures. These capital outflows diminished early in 1961 and along with special transactions contributed to the improved balance-of-payments position in the first half of 1961. In the first quarter the balance of payments deficit was \$330 million, but in the second quarter the U.S. had a surplus of \$249 million, due largely to the prepayment of foreign debts to the United States totaling \$724 million. Eliminating these special transactions, the deficit increased some during the second quarter of 1961 to a seasonally adjusted annual rate of \$1.9 billion compared with \$1.4 billion in the first quarter. Part of this rise in the deficit reflected special factors such as the delay in shipments of cotton and the shipping strike in June.

Improvement in the balance of payments position has been due mainly to the decline in imports as U.S. economic activity eased between the third quarter of 1959 and the second quarter of 1961; during the same period our exports were rising, associated with the rapid economic expansion in Western Europe and Japan.

As the economic recovery expands, U.S. imports may decline relative to exports. The resulting decline in the trade surplus during the remainder of 1961 and throughout 1962 is likely to deepen the balance of payment deficit from the second quarter annual rate of \$1.9 billion. Total outflow of gold and dollars, however, is expected to remain well below the \$3.8 billion incurred in both 1959 and 1960.

Real Consumer Income
2 Percent Higher

Of most importance to farmers is the probable trend of consumer incomes and spending over the next year. During periods of economic recession, consumer incomes hold up much better than output. While production declines, Government payments to the unemployed increase along with the uptrend in social security and other transfer payments, thereby offsetting, in part, substantial declines in wage and salary payments of manufacturers, and other goods producing industries. Per capita disposable personal income adjusted for changes in prices declined 2 percent between the second quarter of 1960 and the first quarter of

1961, indicating some weakening in consumer buying power. Consumer expenditures in current dollars in the same period rose slightly. Expenditures for services, which have a strong uptrend continued to rise, while those for goods declined because of a sharp drop in durables--autos, furniture and household appliances.

During the past two quarters total personal disposable income increased rapidly to a third quarter rate of \$367.8 billion, 4 percent above the first quarter and a year earlier. Consumer incomes per person, adjusted for changes in consumer prices in the third quarter, were up 2 percent from the first quarter--the first rise in real income since early 1960.

Consumer expenditures between the first and third quarters rose 3.4 percent, a little less than income. Durable goods purchases, which dropped sharply in the 1960-61 recession, climbed 8 percent; much of the rise in spending was for automobiles, but furniture and household sales also increased. Even with this rise, purchases of durable goods in the third quarter were 2 percent below a year earlier. Nondurable goods purchases, after holding steady from late 1960, rose in the third quarter to a level 2 percent above the first quarter and nearly 3 percent above a year ago. Expenditures for services continue to advance and were up $3\frac{1}{2}$ percent between the first and third quarters of 1961, and $6\frac{1}{2}$ percent above a year ago.

With a relatively small rise in consumer expenditures on durable goods, repayments on outstanding installment debt have exceeded new extensions in most months this year and credit outstanding, seasonally adjusted, has declined \$324 million since January. Consumer installment credit at \$42.6 billion at the end of August was \$258 million above a year ago in contrast to a \$3.9 billion increase in 1960 and a \$6.6 billion rise in 1959. Consumer installment credit repayments were at an annual rate of \$48 billion in the second quarter of 1961, about 13 percent of disposable personal income, compared with 13.4 percent in the second quarter of 1960.

Consumer incomes are likely to rise through 1962, if Government and business outlays expand as anticipated. A further increase in real consumer income per person is likely. With incomes higher, a substantial pickup in consumption expenditures over the next year is likely.

Unemployment Still High

Gross national product, deflated for price changes, in the third quarter of 1961, was $4\frac{1}{2}$ percent above the first quarter and nearly 3 percent above a year ago. The rise in real output from the first quarter has contributed to an increase in total employment. The civilian labor force so far in 1961 averages 1.2 million above last year, but unemployment has remained around 5 million, after adjusting for seasonal factors. This is close to 7 percent of the civilian labor force. Further increases in real output during the rest of 1961 and 1962 are expected to increase employment and contribute to a reduction in the rate of unemployment. (See table 3.)

Table 3.--Production, employment and nonfarm prices,
quarterly 1960 and 1961

Item	Unit	1960				1961			
		III	IV	I	II	III	II	III	III
Gross national product (1960 Dol.) ^{1/}	Bil. dol.	504.1	501.2	496.1	510.1	518.6			
Industrial production: ^{1/}									
Total									
Consumer goods	1957=100	108	105	102	108	112			
Automotive products	1957=100	115	113	110	116	119			
Home goods and apparel	1957=100	115	113	91	108	110			
Equipment, including defense	1957=100	116	112	110	117	122			
Materials	1957=100	104	102	99	101	105			
Iron and steel	1957=100	105	101	98	106	110			
	1957=100	76	68	68	85	92			
Civilian employment: ^{1/}									
Agriculture	Millions	5.9	5.8	5.8	5.3	5.5			
Nonagriculture	Millions	61.1	60.8	60.9	61.5	61.3			
Manufacturing ^{2/}	Millions	16.3	16.0	15.6	15.9	16.1			
Other private ^{2/}	Millions	28.3	28.0	27.8	28.0	28.2			
Nonfarm prices:									
Wholesale prices	1947-49=100	119.4	119.6	119.9	118.8	118.8			
Durable goods	1947-49=100	145.2	145.0	145.1	145.3	145.2			
Nondurable goods	1947-49=100	105.3	105.7	106.2	104.4	104.3			
Consumer prices	1947-49=100	126.7	127.4	127.5	128.1	128.1			
Durable goods	1947-49=100	110.7	110.8	110.1	110.9	111.8			
Nondurable goods	1947-49=100	120.1	120.9	120.7	120.3	121.0			
Services	1947-49=100	150.4	151.3	151.9	152.5	153.0			

^{1/} Seasonally adjusted. Gross national product at annual rate.^{2/} Based on nonfarm establishment reports.

Departments of Commerce and Labor and Federal Reserve Board.

Some Price Rise Likely

Commodity prices have held relatively stable during 1961, but costs of services continue to rise enough to push the overall retail price level upward. At retail levels, urban consumer prices in July-September were about 1 percent above a year ago, but only a little above last winter. The cost of services has continued to climb and a little firming in prices of commodities other than food has been reported in recent months. Food prices, which in July-September were about 1 percent above a year ago, were unchanged since last winter. At wholesale, prices of industrial crude materials have increased some this summer but no change was recorded for producers' finished goods. In coming months some small price increases are likely, with rising cost of services mainly responsible for lifting the consumer price index. In addition, the prospective rise in demand should firm some commodity prices. But the supply situation in most basic industries suggests that commodity price increases may be moderate in the coming year.

Money and Credit
Conditions Stable

The money market has remained relatively easy since mid-1960. Member bank borrowings from the Federal Reserve Banks have been small and free reserves (excess reserves less member bank borrowing) have remained at around a half billion dollars over the past year, in contrast to substantial net borrowing in early 1960. Federal Reserve rediscount rates which were reduced to 3 percent in the late summer of 1960, have been unchanged since. In addition, open market operations since February have been carried out in both short- and long-term U. S. securities. The Federal Reserve system sold short-term securities to minimize downward pressure on short-term rates, but at the same time provided reserves to the banking system by purchasing long-term U. S. securities. Long-term interest rates have firmed some since last spring, but short-term rates, while substantially below early 1960 levels, have fluctuated around current levels for most of 1961.

The demand for long-term funds from corporations was well above a year ago in the first half of 1961 and the amount of mortgage financing also increased. Demands for short- and intermediate-term funds were moderate and the Federal Government's cash receipts about equaled cash expenditures in the first nine months of 1961. The supply of funds to credit markets increased enough to keep money and credit markets from tightening appreciably. Personal income held up well during the recession, savings increased and commercial bank credit rose mainly through acquisition of U. S. Government and State and local securities.

CURRENT COMMODITY SITUATION

LIVESTOCK AND LIVESTOCK PRODUCTS

Meat Animals

Beef production for 1961 is estimated at a record 15.2 billion pounds, up 3 percent from the previous high of 14.7 billion pounds set last year. Total cattle slaughter (including farm slaughter) for 1961 will be about 1 percent above the 26.0 million head slaughtered in 1960. A heavier average dressed weight per head slaughtered is largely responsible for the new record high beef production.

Total civilian consumption of beef rose to the record level of 15.6 billion pounds, compared with 15.1 billion pounds in 1960, the previous record. The increase in domestic production more than offset the rise in population and is expected to result in a record per capita consumption of 86.7 pounds--around 2 percent above both last year and 1956. In the latter year, a record 27.8 million head of cattle were slaughtered.

The limited increase in cattle slaughter this year, coupled with a larger calf crop and an exceptionally low level of calf slaughter, will result in an increase in cattle numbers somewhat larger than the million head added last year. The number of cattle and calves on farms January 1, 1962, is expected to set a new record of around 98.5 to 99 million head.

The increase in cattle numbers is expected to result in a total cattle slaughter in 1962 of about 27.3 million head compared with slaughter of 26.2 million head this year. However, total slaughter next year is expected to include more cows but fewer fed heifers. Total beef production in 1962 is expected to be up only about 2 percent from the 15.2 billion pounds produced in 1961. The increase in cow slaughter is also likely to reduce the amount of processing beef imported, especially in the last 6 months of next year. The net result appears to be a per capita consumption of beef slightly under the 86.7 pounds set this year. This is likely to be accompanied by some improvement in fed cattle prices over 1961 but lower prices for cows, especially during the late summer and fall.

The 1961 spring pig crop, 7 percent larger than 1960, has been reflected in increased pork production since late September. The increase over year-earlier levels during the remainder of the year will be more than offset by the 4 percent lower pork production during the first 8 months of this year. Therefore, total pork production in 1961 will be about 1 percent under 1960. With the increase in population, per capita consumption this year will be about 63 pounds compared with 65.3 pounds last year.

Pork production in 1962 is expected to be 3 to 4 percent higher than in 1961. This year's fall pig crop will probably be about 2 percent above 1960 and next year's spring pig crop is expected to be 3 to 5 percent above farrowings this spring. The increase in pork output will increase per capita supplies by about $\frac{1}{2}$ pound next year. Therefore, prices in 1962 are expected to average only slightly below this year's level.

The number of sheep and lambs on hand declined during 1960 despite a larger lamb crop. Slaughter was above 1959 levels from May through November and large enough to cause a reduction in inventories. Lamb prices dropped sharply during the summer of 1960 and have remained at a relatively low level since.

Sheep and lamb slaughter for 1961 will be the largest since 1948. The high rate of slaughter will reduce inventories more than occurred in 1960. The reduction is expected to show up mainly in young sheep in the stock sheep inventory and lambs on feed.

While the high rate of lamb slaughter in 1961 resulted in low prices to producers, it improved the outlook for 1962. Next year's lamb crop probably will be smaller than this year's and a decline from this year's high rate of slaughter is in prospect. Under these conditions, a recovery in lamb prices is expected in 1962.

Dairy Products

The upturn in milk production that got underway in 1960 will continue in 1962. Milk output in 1961 will expand by about 2 billion pounds to 125 billion pounds, and a further substantial increase is in prospect for next year. Milk-feed price relationships, although lower than in 1961, will still be relatively favorable to milk producers, compared with long-term averages. In addition, a stable beef price in prospect for 1962 will provide no special encouragement for farmers to move out of milk and into beef production. This will be particularly true next year because the increases in the levels of price support for manufacturing milk and butterfat have been more fully reflected in prices in those regions where most of such transferring of resources has taken place in the past.

In 1961, commercial demand for dairy products dropped sharply, as less butter and fluid milk were used than in the three previous years. This downturn is likely to be arrested in 1962 and significantly larger quantities of dairy products, particularly cheese, will be distributed by the CCC to needy persons. As a result, the total civilian consumption of dairy products from all sources, measured both in terms of milkfat and solids-not-fat, may be higher in 1962 than this year, even though on a per capita basis, use may be about the same as in 1961.

With a substantial increase in milk production in prospect next year, and with little change expected in aggregate civilian consumption from commercial sources, larger quantities of dairy products will probably be offered to the CCC for price support in 1962 than a year earlier. In terms of milkfat,

the quantities offered are likely to be near the large amounts of 1953 and 1954; in terms of solids-not-fat, they may be record high. This year the Government will purchase about 6 percent of all the milkfat produced and 9 percent of the solids-not-fat, compared with 3 and 8 percent in 1960. Government supplies of butter in 1962 may be sufficiently large so that significant quantities could be exported under Government programs for the first time since 1956.

Farmers will receive a somewhat higher average price for all milk in 1961 compared with 1960, but these prices dropped below 1960 in September and will continue below a year ago through the first quarter of 1962. After March 31, the price of all milk will depend on the level of price supports to be announced some time before that date.

Substantially larger marketings of milk, together with some further shift to whole milk sales from farm-separated cream, will probably be reflected in a significant gain in cash receipts in 1962, but this gain may be largely offset by greater production expenses.

Poultry and Eggs

Egg production in 1962 is expected to exceed slightly the 170 million cases that are in prospect for 1961. Prices to producers are likely to average below 1961. Lower egg prices than the year before appear especially likely for the first quarter of 1962 in contrast to the first quarter of 1961, when prices were contraseasonally high.

The Nation's eggs in 1962 will come from a flock that on next January 1 will be a little smaller than the 340 million potential layers on hand at the beginning of 1961. But the rate of lay per bird is likely to average higher than last year because more of the flock will be pullets, and fewer will be hens. After mid-year, the laying flock will be supplemented by new pullets from that year's hatch, and those pullets are expected to be from a larger number of replacement chickens raised than the 346 million raised in 1961. The egg supply next year is likely to increase more than the prospective increase in the U. S. population, permitting the addition of 2 or 3 eggs to the average consumption of 323 eggs per person which is presently estimated for 1961.

The outlook for broilers and turkeys in 1962 is more clouded than the egg picture. Producers of both of these meat birds had a very difficult year in 1961. Their actions in 1962 will depend, to a considerable extent, upon the financial resources that remain available to them from their usual sources of credit. The turkey situation is likely also to be influenced by actions on the proposed Marketing Orders for turkey and turkey hatching eggs. Authority for Marketing Agreements and Orders for turkeys and turkey hatching eggs was provided by the Agricultural Act of 1961. Public hearings on the proposed Orders are to be held in late November and in December. Current legislation does not authorize similar programs for broilers or chicken eggs.

Broiler production in 1961 will probably be up by at least 12 percent from the 1.8 billion birds produced in 1960. Prices are down sharply, from a 1960 average of 16.9 cents per pound to a 1961 figure that will probably average close to 14 cents. Even though the low prices have resulted in several bankruptcies and financial reorganizations, weekly chick hatchings continued above the year before throughout the first 9 months of the year. The same forces that thus sustained 1961 production are likely to result in a high 1962 output almost at the 1961 record. These forces include not only an ample capacity to produce, but also an industry structure which makes it difficult in the short run for integrated firms to re-enter the market on a large scale after they have cut back production. As a consequence, they are reluctant to reduce output.

Broiler production in 1962 probably will be close enough to 1961 to support a per capita broiler consumption averaging within a pound or so of the 1961 average 25 pounds (ready-to-cook) per person. Broilers comprise well over 80 percent of the chicken meat supply.

Turkey production is influenced by some of the same factors--intergration, financing, and high capacity to produce--that influence broiler production. Nevertheless, the availability of financing will affect the 1962 volume, as will the possibility of a self-help Marketing Agreement and Order Program, which has been recommended to the Secretary of Agriculture by the National Turkey Advisory Committee. In the absence of such a program the 1962 turkey crop would again be large, although perhaps not fully up to the 107 million turkeys raised in 1961, which were 26 percent more than 1960. An October survey of farmers intentions to keep turkey breeder hens suggests a January 1 breeder flock only 3 percent smaller than last January.

Turkey prices in the first 6 or 8 months of 1962 are likely to continue in line with present levels because of the prospective record stocks of frozen turkey to be carried in storage at the beginning of 1962. This stock may be as great as 300 million pounds. The prospective excess of about 140 million pounds over the holdings of January 1, 1961, would equal more than 10 percent of a normal U. S. turkey crop, such as the 1960 crop. The 1961 average price to farmers is estimated at about 20 cents per pound, about 5 cents below the 1960 average. This year's turkey crop will support an average per capita consumption of over 7 pounds compared with 6.3 pounds of turkey in 1960.

Wool

The domestic wool industry has partially recovered from the short-term recession of late 1960 and early 1961. Mill activity, although below a year ago, is increasing. Imports of wool textile products are less than a year earlier; exports are up moderately. Imports of dutiable raw wool are slightly higher than a year ago. Currently, average prices received by wool growers for shorn wool are slightly above the same month a year earlier. The outlook for 1962 is for a moderate increase in domestic consumption of wool, mill activity, foreign trade in raw wool and wool products, and average prices received for shorn wool.

Domestic consumption of wool in 1961 will probably total around 500 million pounds, 7 percent less than in 1960 but 3 percent more than the average of 1955-59. The lower domestic consumption in 1961 is due to a decline in imports of wool products and lower mill use of carpet wool since apparel wool mill use will be about the same as in 1960. During the first 8 months of 1961, domestic consumption of wool totaled 344.0 million pounds, 7 percent less than in 1960. Domestic consumption of apparel wool during this period amounted to 234.1 million pounds, 3 percent less; that of carpet wool, 109.9 million pounds, 15 percent less.

U. S. mill consumption of apparel wool in 1961 is expected to total 245 million pounds, scoured basis, about the same as 1960 and 5 percent less than the 1955-59 average. With the current steady demand for apparel products, stepped-up military procurement, a moderate rise in inventory accumulation, and an expected increase in consumer incomes and expenditures, a moderate increase in mill consumption to 260 to 270 million pounds of apparel wool can be expected for 1962.

Carpet wool mill consumption in the United States in 1961 is likely to amount to 135 million pounds, scoured basis, 17 percent less than in 1960 and 2 percent less than the 1955-59 average. Only a moderate increase in carpet wool mill use to 140 to 145 million pounds can be expected in 1962.

The raw wool equivalent of the U. S. foreign trade in semiprocessed and manufactured wool textile products for 1961 will amount to an import balance of about 120 million pounds or 5 percent less than the record high of 127 million in 1960. The raw wool content of imports of textile products in 1961 will probably be 6 to 7 percent less than 1960; that of exports, slightly more than a year ago. This decrease in the import balance will be due to lower imports of tops, yarns, woven fabrics, and carpet and rugs. During the first 8 months of 1961, the raw wool equivalent of imports of wool products totaled 86.1 million pounds, 9 percent less than a year earlier; that of exports amounted to 2.9 million pounds, slightly above the 2.7 of a year earlier.

Imports of dutiable wool are expected to total 85 to 90 million pounds, clean content, during 1961 and approximately 100 million pounds in 1962 compared with 75 million in 1960. This will reflect an estimated increase in apparel wool mill use during the latter part of 1961 and in 1962. Duty-free imports of raw wool probably will amount to 150 to 155 million pounds, clean content, during 1961 compared with 154 million in 1960. With mill consumption of carpet wool next year likely to be only moderately above 1961, imports of duty-free wools can also be expected to total about 150 million pounds in 1962. During the first 8 months of 1961, dutiable wool imports amounted to 61.0 million pounds, 14 percent more than in 1960; those of duty-free wools, 108.6 million pounds, 1 percent less than a year earlier.

U. S. production of woven woolen and worsted fabrics can be expected to amount to 280 to 285 million linear yards in 1961, about the same as the 283.3 million in 1960. A moderate increase in fabric output can be expected in 1962 as mill use of raw wool, Government procurement, and consumer incomes and expenditures are all expected to increase. During the first 6 months of 1961,

woven wool fabric production amounted to 140.2 million linear yards, 9 percent less than during the first half of 1960.

The average price received by growers for shorn wool can be expected to remain relatively stable through the early months of 1962. With an increase in mill consumption of apparel wool estimated in 1962, a moderate price increase can be expected in the first part of the 1962 marketing year. The average monthly price in each of the past 3 marketing years has fluctuated 4 to 7 cents. This narrow price fluctuation can be expected to continue this coming year.

The shorn wool incentive level for the 1962 marketing year (April 1, 1962-March 31, 1963) has been set at 62 cents per pound, grease basis, the same as for each of 7 previous years of the program. The mohair support level for the 1962 marketing year has been set at 74 cents per pound, 1 cent more than 1961 and 4 cents above the first 6 years of the program.

CROPS

Wheat

The wheat carryover at the end of the 1962-63 marketing year probably will be substantially lower as a result of reduced production under the 1962 wheat program. This would follow a prospective 50-million-bushel reduction in the carryover at the end of the 1961-62 year, the first decline since 1958.

The total United States wheat supply for the marketing year which began July 1, 1961, is down slightly from the all-time record of a year earlier. The decline was due to a decrease in the 1961 crop which more than offset the increase in the July 1, 1961, carryover. Even though the estimated 1961-62 supply of 2,630 million bushels is below last year's, it represents about two year's domestic use and exports.

Domestic disappearance in 1961-62 is now estimated at 590 million bushels and exports are expected to reach a record 675 million bushels. Some of the increase in exports over the 662 million of 1960-61 will be to European markets, where import requirements have increased due to smaller 1961 crops. On the basis of these estimates, about 1,365 million bushels would be carried over on July 1, 1962.

The cut in wheat production under the 1962 wheat program will depend on the degree of voluntary participation, and the extent to which acreage cuts might be offset by increased yields. The program provides for a mandatory cut of 10 percent and a voluntary cut up to an additional 30 percent in 1962 farm acreage allotments as determined on the basis of the minimum national acreage allotment of 55 million acres.

Market prices of wheat are at or near their high for the marketing year to date and generally above the effective support level. Strong export demand and withholding in anticipation of higher prices, because of the increased price support rate for 1962-crop wheat, have been major factors affecting wheat

prices. In addition, hard red spring and durum wheat prices were strengthened due to drought-reduced crops. The substantial increases in prices of most classes of wheat from their seasonal lows make unlikely any large rise taking place during the remainder of the year.

Considering the favorable early season prices and the strength of the factors dominating the market, prices to farmers may average above the announced support for the first time since 1950-51, when prices averaged one cent above the support. The support price for 1961-crop wheat is \$1.79 per bushel. In 1960-61, prices to growers averaged \$1.75, 3 cents below the announced support of \$1.78 per bushel.

The national average support price applicable to the 1962 crop is \$2.00 per bushel. This support price is not subject to any increase as a result of a higher parity price at the beginning of the marketing year as has been the case in previous wheat programs.

Rice

Rice carryover stocks since 1956 have decreased every year. The carryover on August 1, 1961 of 10.1 million cwt., in terms of rough rice, was less than a third of the record of 34.6 million cwt. 5 years ago. The reduction in carryover during this period reflects the high level of exports and reduced production resulting from acreage controls. During the 1960-61 marketing year, the reduction in the carryover was 2.0 million cwt., or 17 percent, from 12.1 million cwt.

The 1961 rice crop as of October 1 was estimated at 54.7 million cwt., almost the same as the 54.6 million of a year earlier, but 11 percent above the 1955-59 average of 49.4 million cwt. The acreage for harvest in 1961 is estimated at 1,597,000 acres, about the same as a year earlier. The yield per harvested acre, estimated at 34.24 cwt., is about the same as for the 1960 crop, but 7 percent above average. With a reduced carryover and negligible imports, the supply at the beginning of the 1961-62 marketing year totaled 65.0 million cwt.--3 percent below the 67.0 million a year ago and 11 percent below the 1955-59 average.

Domestic disappearance in 1961-62 is estimated at 27.3 million cwt., about 0.3 million cwt. over last year. Exports in 1961-62 are estimated at 28.7 million cwt. (rough basis) compared with 29.6 million a year earlier. On the basis of these figures, the carryover August 1, 1962, would total 9.0 million cwt., down from the 10.1 million on August 1, 1961.

If about the same acreage of rice is harvested in 1962 as the 1,597,000 acres in 1961 and if yields of 34.44 cwt. are obtained (slightly above the average of the past 3 years), a crop of about 55.0 million cwt. would be produced. This is almost the same as the 54.7 million cwt. in 1961 but 11 percent above the 1955-59 average of 49.4 million cwt. With a carryover August 1, 1962, of about 9.0 million cwt. and imports of about 0.2 million, supplies would total 64.2 million cwt.

Domestic disappearance for 1962-63 is estimated at 27.4 million cwt., about the same as the 27.3 million estimated for 1961-62. Exports are projected at about 28 million cwt. which compares with 28.7 million estimated for 1961-62 and 24.6 million cwt., the 1955-59 average. On this basis, the carryover of rice on August 1, 1963, may be about the same as the 9.0 million estimated for August 1, 1962.

Prices received by farmers for rice, including an allowance for unredeemed loans and purchase agreement deliveries at the average rate, have averaged above support levels in all but two years, 1951-52 and 1954-55. In 1960-61, they averaged 17 cents above the national support of \$4.42 per cwt. On 1961-crop rice, they are again expected to average well above the support rate announced at \$4.71 per cwt.

Feed Grains

The total supply of feed grains and other concentrates for 1961-62 is estimated at 252 million tons, 7 million tons less than in 1960-61. This reduction follows a steady upward trend in feed concentrate supplies that began in 1952. Farmers reduced the acreage of feed grains 16 percent, with nearly all of the reduction in corn and sorghums, through participation in the 1961 Feed Grain Program. Higher yield per acre, however, offset part of this reduction and production was down about 11 percent. The 10 million ton increase in carryover and a small increase in byproduct feed supplies, principally in soybean meal, also add to 1961-62 supplies.

Domestic use and exports of feed grains in 1961-62 are expected to continue near the high levels reached in 1960-61. The total number of grain-consuming animal units to be fed in 1961-62 is expected to be up 2 or 3 percent from the 1960-61 level. The rate of feeding per animal unit, however, probably will decline a little from the record high reached in 1960-61 and the total tonnage consumed by livestock may nearly equal last year's record high. Total exports of feed grains are expected to continue near the high level of the past 3 years, when around 12.5 million tons had been exported annually. Total utilization and exports are expected to exceed the 1961 crop for the first time in 10 years, reducing carryover into 1962-63 around 5 million tons below the record carryover of 84 million tons this year.

Feed grain prices are a little higher this fall than a year ago and probably will average a little higher in 1961-62 than in 1960-61. The increase in price supports for 1961 crops, the smaller production of feed grains this year, prospects for more livestock to be fed in 1961-62 and the large volume of corn and sorghum grain to be sold under the 1961 Feed Grain Program are the principal factors influencing prices. The Department of Agriculture is currently selling corn and sorghum grain at market prices. Certificate sales will continue to be made by USDA at market prices but not at levels below generally prevailing prices received by farmers in the fall of 1960 for the 1960 crop. Oat and barley prices are currently high in relation to corn and probably will continue so during the 1961-62 feeding year.

Supplies of each of the four feed grains are smaller this year than in 1960-61. The 1961-62 corn supply is estimated at 5,526 million bushels, 153 million bushels below the record supply last year. While the crop was down 364 million bushels, much of this reduction was offset by the larger carryover in 1961 than a year earlier. Total utilization of corn in 1961-62 is expected to exceed 1961 production by around 150 million bushels, which would give the first reduction in carryover stocks since 1951-52. The sorghum grain supply for 1961-62 is about equal to last year's record supply of 1.2 billion bushels, as the smaller crop was practically offset by larger carryover. The oat supply is 7 percent smaller than last year and the barley supply is down 9 percent.

Supplies of high-protein feeds for 1961-62 are expected to be about 4 percent above the 1960-61 level, reaching a new high both in total and in relation to livestock consuming these feeds. Larger high-protein feed supplies are expected to result in lower prices for soybean meal and some of the other protein feeds in 1961-62. High protein feed prices are not expected to make the sharp seasonal rise this winter and next spring that occurred in 1960-61.

The 1961-62 hay supply is about equal to the supply last year but is a little below average per animal unit. The favorable condition of pastures this fall has reduced fall feeding of hay, and hay supplies appear adequate in most areas.

Oilseeds, Fats and Oils

The total U. S. supply of edible fats, oils, and oilseeds during the 1961-62 marketing year is forecast at a record 16.1 billion pounds (in terms of oil), 2.1 billion pounds or 15 percent more than the quantity available a year earlier. The increase in production is largely due to the record 1961 soybean crop, although lard and butter output will be slightly greater in 1961-62 than a year earlier. Beginning stocks on October 1, 1961, were up somewhat (because of the huge carryover of soybean oil) from last year's total and output of food fats will hit a new high.

Domestic disappearance of food fats in 1961-62 probably will continued at about the annual rate of 46 pounds (fat content) per person. With the expected growth in population, total domestic use should increase by about 125-150 million pounds. These prospects indicate that the quantities of edible oils, soybeans, lard and butter available for export in 1961-62 will be a record 7.0 billion pounds, approximately 2.0 billion pounds or 40 percent more than last year.

Current prospects are that exports of food fats (including the oil content of soybeans) through September 1962 may set a new record of around 4.5 billion pounds, roughly one-third more than 3.2 billion pounds exported during 1960-61. Main factors in the export outlook include: (1) Europe will buy more U. S. soybeans because of expanding demand for soybean meal and the small supplies that are likely to be available from Communist China. Also, heavy buying by Europe this fall will, in part, reflect deferred purchasing

last summer in anticipation of lower prices for new crop beans in the U. S. (2) Japan recently removed her restriction on imports of U. S. soybeans which will result in larger exports to that country; and (3) sharp expansion in movement of edible oils (cottonseed and soybean oils) under the Food for Peace Program -- about 1,000 million pounds compared with 525 million in 1960-61. Most of this expansion will consist of donations through charitable agencies. There will also be expanded exports of edible oils to Pakistan under the recently signed 4 year agreement and to Turkey under Title I, P. L. 480, whereas last year there was no program with Turkey. Increased exports for dollars to Spain are likely, reflecting reduced olive oil production in that country.

The 1961-62 supply of soybeans is placed at 716 million bushels, up 134 million from the previous year. Soybean crushings in 1961-62 are forecast at a record 425 million bushels, up about 23 million bushels from the previous year and soybean exports at 175 million bushels, about 45 million more than in 1960-61.

Soybean seed and feed uses probably will require about 40 million bushels of beans. If soybean crushing and export estimates are reasonably accurate, carryover stocks of old crop beans on October 1, 1962, may be around a record-high 75 million bushels, compared with a mere 6 million bushels on the same date this year and the record 62 million bushels of October 1, 1959. Most of the carryover of 1961 crop beans likely will be in the hands of CCC.

The season average price received by soybean farmers for 1961 crop soybeans is expected to be \$2.30 per bushel, about 5 percent more than a year earlier. The seasonal swing in soybean prices during 1961-62 is likely to be considerably less than the unusually large increase last year and prices will be linked closely to the CCC price support operations.

Cottonseed production in 1961-62 is placed at 5,942,000 tons, about the same as a year ago. Prices to farmers for 1961 crop cottonseed are expected to average slightly above the CCC purchase price of \$45.00 per ton, basis grade (100), about 6 percent more than those received for the 1960 crop.

Lard output (including farm) in 1961-62 is forecast at 2,650 million pounds, about 5 percent more than last year. Higher output in the year ahead is expected to result in lower lard prices and more lard will be used in the manufacture of shortening. Little change in exports is expected.

The total supply of peanuts (farmers' stock basis) in the 1961-62 marketing year, which began August 1, is estimated at 2,080 million pounds, 5 percent less than last year. Supplies this year are nevertheless considerably greater than domestic needs for food and farm uses, and CCC will acquire the surplus under the support program. As in the case for most recent years, prices to growers for 1961 crop peanuts are likely to average at about the support level of 11.0 cents per pound compared with the 1960 support of 10.1 cents.

The domestic flaxseed supply situation during 1961-62 is expected to be tight, as output is down sharply (lower acreage and drought) and stocks are low. Flaxseed supplies in the 1961-62 marketing year, which began July 1, are estimated at 27 million bushels compared with 33 million last year. The season average price received by farmers for 1961 crop flaxseed is estimated at \$3.40 per bushel, 60 cents above the 1961 support price and 75 cents above the average price received for 1960.

Fruit

Consumer demand for fruit in 1962, supported by rising incomes, is expected to continue strong. From this fall through the first half of 1962, prospective supplies of both fresh and processed fruits are moderately larger than in this period of 1960-61. Assuming average weather, the combined 1962 crop of all deciduous fruits may not be as heavy as the large 1961 crop, but citrus production is expected to continue large.

A significant increase is in prospect for U.S. exports of fresh apples and pears in 1961-62, especially to Western Europe, where production in 1961 is down from last year. Total exports of fresh citrus fruit in 1961-62 may not be greatly different from 1960-61, partly because of large supplies in other countries that also serve Western European markets. But exports of citrus juices may increase moderately, and prospects continue favorable for exports of canned deciduous fruits. The volume of U.S. exports of raisins and dried prunes may approximate that of 1960-61.

Aided by generally favorable growing and harvesting conditions, the 1961 crop of deciduous fruits turned out to be about 9 percent larger than the 1960 crop and 10 percent above the 1950-59 average. The 1961 crops of deciduous fruits, except apricots and cranberries, were larger than the respective 1960 crops and all, except apricots, pears, and prunes, were above average. Stocks of both apples and pears in cold storage on January 1, 1962, are expected to be larger than a year earlier. In late October, shipping-point prices for apples and pears generally were lower than a year earlier, those for grapes higher. Total production of deciduous fruits has tended to rise since the mid-1950's and further increases appear likely over the next few years.

Prospective production of early, mid-season, and Navel oranges as a group is 3 percent above 1960-61 and that of Valencias (excluding the California crop which in 1960-61 was 12 percent of the total orange crop) is 26 percent above last year. Grapefruit production (excluding the usual small California summer crop) is about 8 percent above the approximate average crop last year. In Florida, where most of the grapefruit are grown, a large increase in white seedless and small increases in pink seedless and other varieties are expected. Prospects are favorable for increased production of California and Arizona lemons in 1961-62. In Florida, more tangelos and limes, but less tangerines, are expected than last season. Further increases in production of most citrus fruits can be expected over the next few years.

Early-season shipments of Florida oranges and grapefruit to fresh markets have been much heavier this fall than last, when the season was late. Shipping-point prices have averaged somewhat lower than at the start of the 1960-61 season. Moreover, the usual downward adjustment of prices with increased movement has come earlier this season than last. Processing of the new citrus crops is expected to reach heavy volume somewhat sooner than a year ago. Carryover stocks of frozen orange concentrate probably will be moderately larger than a year ago but not greatly different from two years ago.

Increased packs of processed fruit from the 1961 deciduous crop are expected. The 1961-62 packs of canned fruit cocktail and California clingstone peaches are record large and most of the other new packs reported so far are above 1960-61. The total 1961-62 pack is expected to be moderately larger than the heavy 1960-61 pack and may equal or exceed the record in 1959-60. Output of frozen red tart cherries is record large, and, mainly for this reason, total production of frozen fruits (excluding juices) is expected to be up in 1961. A large increase in production of raisins and a probable small rise in dried prunes point to heavier output of dried fruit than in 1960-61.

The 1961 crop of almonds, filberts, pecans, and walnuts is expected to set a new record about 18 percent above the previous record in 1960. Production of each tree nut is up in 1961, with especially large increases in almonds and pecans, the latter a record crop. Price prospects for the large 1961 crops do not appear as favorable as they were for the 1960 crops. About half of the U.S. supply of tree nuts is made up of imports, mostly cashews and Brazil nuts. This year in exporting countries, supplies of these two nuts are up and prices are down, factors conducive to increased U.S. imports.

Commercial Vegetables

Fresh

Supplies of vegetables for fresh market sales the remainder of this fall are expected to be moderately smaller than last year but about the same as the recent 10-year average. Remaining supplies of snap beans, sweet corn and eggplant are considerably larger than in 1960. However, supplies of Brussels sprouts, broccoli, cauliflower, celery, and green peppers are smaller than a year ago. With smaller supplies available and consumers' demand expected to continue at a high level, prices to growers likely will average above those of a year earlier.

Processed

Supplies of canned vegetables are expected to be moderately larger than a year ago, and supplies of frozen substantially larger. Smaller carryover stocks of canned vegetables probably were more than offset by a materially larger pack. Total supplies of frozen vegetables are record high. Stocks at the beginning of the current season were substantially larger than those of a year earlier and the pack probably was materially larger. With higher raw product costs for many items, and higher processing and distribution costs, f.o.b. and retail prices of canned vegetables for the season are expected to average a little above those of last season, and prices of frozen items near those of a year earlier.

Potatoes and Sweetpotatoes

Because of a tenth larger fall crop than in 1960, supplies of potatoes available for fall and winter marketings are considerably larger than a year earlier, and almost a fourth above average. The Department, at industry request, is operating a program to assist growers in marketing the large 1961 crop. Supplemental payments are being made for diversion of U. S. No. 2 or better quality potatoes to starch, flour, or livestock feed. The program is designed to promote orderly marketing of the crop and increase income to growers. However, with supplies considerably in excess of market requirements, prices to growers this fall and winter are expected to continue below those of last season.

Moderately less sweetpotatoes are available than a year ago. Production was down 4 percent from 1960. Demand for sweetpotatoes is expected to be near that of last season. Prices are expected to rise seasonally, and likely will average at least moderately above a year earlier.

Dry Beans and Peas

Total supplies of dry edible beans appear to be moderately larger than a year ago, with supplies of both white and colored classes up.

With prospects of substantial dry bean shipments under P. L. 480 programs, total exports are expected to be larger than last year. Because of continued loss of the Cuban market, exports for dollars are likely to continue light, though probably above the low level of last year. Thus, with larger exports expected, and substantially higher support prices for 1961-crop beans, prices to growers likely will average above a year ago, despite larger supplies.

Supplies of dry field peas available for market this season are moderately smaller than a year ago. A 6 percent larger crop was more than offset by materially smaller carryover stocks at the beginning of the season. Assuming domestic use near the level of last year, and minimum carryover stocks at the end of the season, supplies available for export appear to be moderately to substantially smaller than those of last year. With crop prospects down in several European countries, export demand is expected to be better than last year. Prices to growers for the season are likely to average somewhat above a year ago.

Cotton

The carryover of cotton on August 1, 1962, probably will be about 7.3 million bales, approximately the same as a year earlier. The 1961 crop of cotton plus estimated imports and the city crop are expected to be larger than disappearance. Despite an expected increase in mill consumption, disappearance in 1961-62 is expected to be smaller than in 1960-61 because of the expected decline in exports of cotton.

At the start of the current season, CCC-held cotton stocks (owned and held as collateral against outstanding price support loans) were about 1.5 million bales, the lowest of any August 1 since 1952. Commercial interest purchased cotton from CCC to take advantage of the increase in the support level and the export subsidy. CCC-held stocks will probably increase as the season progresses and by July 31, 1962, they may be around $4\frac{1}{2}$ million bales.

The 1961 crop of cotton was estimated at about 14.3 million running bales as of October 1, about the same as a year earlier. Although the 1961 and 1960 crops are about the same size, the 1961 crop is being produced on larger acreage and with lower yields. The lower yield is partially due to the distribution of acreage because the low yielding areas of the country received a larger portion of the total acreage allotment in 1961 than in 1960. Also, underplanting increased in 1961 because of large underplanting in the Southeast, which received a much larger acreage allotment in 1961 than in 1960.

The national acreage allotment for upland cotton for 1962 has been set at 18.1 million acres compared with 18.5 million in 1961. The acreage allotment for extra-long staple cotton in 1962 is 100,293 acres, approximately 37,000 acres larger than in 1961. The distribution of the upland allotment by regions shows that the proportions allotted in each of the four geographic areas was not greatly different than the proportions under the 1961 allotment. In the West and the Southeast the proportions increased slightly; in the Delta they declined; in the Southwest they were the same.

Consumption of cotton by mills in the United States in 1961-62 is estimated at about 8.8 million bales, approximately 500,000 bales larger than consumption during the same period a year earlier. Larger consumption is being caused by a higher level of economic activity for the country as a whole and by relatively low stocks of cotton broadwoven goods in relation to unfilled orders for the same. Other indicators of a higher level of mill activity are: (1) Higher fabric values in the past few months; (2) smaller imports of cotton textiles in the first 8 months of 1961 than a year earlier; (3) exports of cotton textiles at about the same level in the first 8 months of 1960 and 1961; and (4) higher rates of consumption of cotton by United States mills since February 1961.

At the end of September, the seasonally adjusted ratio of stocks to unfilled orders for cotton broadwoven goods was 0.38 compared with the high point of 0.66 in December 1960. Changes in this ratio usually lead to changes in the rate of consumption of cotton by several months. Imports of cotton textiles during the first 8 months of 1961 were equivalent to about 252,000 bales of cotton, compared with 374,000 bales during the same period a year earlier. Imports have increased some in the past 2 months and are expected to increase more as the season progresses. The average rate of cotton mill consumption seasonally adjusted reached a low in February 1961 and has tended to increase each month since then. Seasonal adjustment of the September rate indicates consumption in the 1961-62 season of more than 8.8 million bales of cotton.

Domestic cotton consumption per capita in the United States in calendar 1961 probably will be about 22.2 pounds compared with 22.5 in 1960. If it materializes, the 1961 estimate would be the lowest level of cotton used per capita since 1958. Consumption of cotton in 1962 is expected to increase. This is considerably higher than per capita consumption during the 1960-61 season.

Exports of cotton from the United States during the current season are expected to be about $5\frac{1}{2}$ million bales compared with 6,634,000 in 1960-61. Declines are occurring because the ending carryover of cotton in the foreign free world for the 1961-62 season is expected to be smaller than the starting carryover in 1961-62, whereas in 1960-61 the ending carryover increased by about 1 million bales. Production of cotton in the foreign free world is expected to be somewhat smaller in 1961-62 than a year earlier and consumption of cotton probably will be slightly below that of 1961-62. Despite the expected decline in production in the foreign free world, cotton acreage abroad increased in 1961 over 1960. The production decline is being caused by lower yields in several countries.

The average 14 spot market price for Middling 1-inch cotton has increased steadily over the past several months. The average price for October was 33.59 cents per pound, the highest price since June 1959. By November 3 the average price had increased to 33.60 cents. The average price received by farmers for upland cotton in mid-October was 33.89 cents per pound compared with 31.53 cents in the same month a year earlier. The average price received by farmers has increased each month since February 1961 when it was 26.91 cents per pound.

Tobacco

Consumer demand for cigarettes and cigars is expected to increase in 1962. No marked change is expected for smoking tobacco and snuff, but consumption of chewing tobacco is likely to continue its downward trend. Leaf tobacco exports in fiscal year 1961-62 may be a little lower than the 5-year high of 1960-61.

Cigarette output in 1961 is estimated at a record 530 billion-- $4\frac{1}{2}$ percent above 1960. U. S. smokers consume about 95 percent of the output and the other 5 percent is exported and shipped to Puerto Rico and other smaller U. S. islands. Indications are that the share of the market held by filtertips continues to increase gradually. Last year, filtertips accounted for 51 percent of output.

The 1961 consumption of cigars (including cigarillos) may approximate 7,170 million, nearly $1\frac{3}{4}$ percent above 1960 and the most since 1923. Probably nine-tenths of domestic cigar output has reconstituted sheet binder instead of natural leaf binders. Cigar imports from Cuba, which have averaged only around one-third of 1 percent of total consumption, have dropped sharply this year. However, a very substantial proportion of the cigars made in this country depend on Cuban tobacco as a constituent of their blends and a significant fraction are made of all or nearly all Cuban tobacco. Imports of Cuban tobacco for consumption declined moderately in the past year.

The 1961 output of smoking tobacco is estimated at near 75 million pounds, about $1\frac{1}{2}$ percent above 1960. The 1961 outputs of chewing tobacco and snuff are estimated at about 64 and 34 million pounds respectively, both 1 or 2 percent lower than in 1960.

Exports of unmanufactured tobacco in calendar year 1961 are expected to be around 480 million pounds (declared weight)--approximately 3 percent lower than in 1960 and $1\frac{1}{2}$ percent below the recent 10 year average. Competition from expanded production abroad continues to increase and trade barriers in many forms continue to hamper our exports. As part of a broad program to bolster her balance of payments position and strengthen the pound sterling, Britain increased the duty on imported tobacco by 10 percent in July. There has been great concern as to how U. S. tobacco will be affected by the import duties and trade arrangements of the European Common Market. This concern is even greater now that Britain and other countries taking substantial quantities of U. S. tobacco have applied for entry into the Common Market.

The 1961-62 total supply of flue-cured--the leading cigarette and export tobacco--is practically the same as for 1960-61. Domestic use of flue-cured in 1960-61 was up 3 percent and exports were up 13 percent. All, except a small fraction of this year's flue-cured crop, has been sold at an average of about 64 cents per pound, $3\frac{1}{2}$ cents above last season and a record high. Placements under Government loan were about $5\frac{1}{2}$ percent of total deliveries.

The 1961-62 total supply of burley--second ranking cigarette tobacco--is a little less than for 1960-61. The sizable drop in carryover was partly offset by the increase in the size of this year's crop over last. Domestic use of burley increased 2 percent and exports by 14 percent in the 1960-61 marketing year. Burley markets will open November 27.

The 1961-62 total supplies of Virginia fire-cured and sun-cured tobaccos, are indicated to be about the same as for 1960-61. Supplies of Kentucky-Tennessee fire-cured and air-cured, Connecticut Valley cigar binder and Maryland tobaccos are indicated to be lower than last year; the 1961-62 supplies of Pennsylvania and Ohio cigar filler, the Wisconsin binder types, and the shade grown wrapper types are larger than for 1960-61.

Government price supports are mandatory for the kinds of tobacco produced under marketing quotas. The 1961 crop overall price support levels are the same as in 1960. The year-to-year change in the overall levels of support is determined by the relationship between a recent 3-year moving average of the parity index and the 1959 parity index. The parity index is the index of prices paid by farmers, including interest, taxes and farm wage rates. Available data indicate that the 1962 overall support levels for each eligible kind of tobacco will be up 1 percent from 1961.

The 1962 marketing quota and acreage allotment for flue-cured tobacco will be announced by December 1, but the Secretary of Agriculture has until February 1 to announce the 1962 marketing quotas for burley and other kinds of tobacco. After the quota announcements, growers of flue-cured, burley, Virginia

sun-cured, and Pennsylvania cigar filler will vote in separate referendums on whether or not they approve quotas on their 1962, 1963 and 1964 crops. Marketing quotas will definitely be in effect for the 1962 crops of fire-cured, dark air-cured, Connecticut Valley binder types, Ohio filler and Wisconsin binder type, and Maryland tobacco, since growers voted a 3-year approval in referendums held in February this year and last.

Naval Stores

Increasing production and accumulated consumer inventories, both domestic and foreign, dominate the rosin outlook. Rosin prices in 1961 are expected to average substantially below a year ago although well above any annual average prior to the 1960-crop year. Turpentine prices are less than half those of a year ago, but relatively little change is likely in overall disappearance in 1961, although disappearance may increase in 1962.

Rosin demand and supply in 1961 and well into 1962 are likely to continue readjusting following the heavy buying spree of 1959 and 1960. Rosin prices during October 1961 were about 30 percent below the all-time high of a year earlier, but about 35 percent above the average for the past 10 years.

Rosin and turpentine production in 1961 is expected to be slightly above the level of the previous year with increased gum and sulfate naval stores more than offsetting the expected decline in steam distilled. Percentagewise, rosin production is likely to divide about 23-54-23 among gum, steam distilled and sulfate sources. The corresponding proportion of turpentine output is estimated at 24-24-52.

Long-term future production patterns are likely to be notable more for shifts in output sources than for changes in overall volume. Steam distilled output is expected to decline significantly as stump resources are depleted in the Western part of the production belt. This decline should be offset by increased output from gum and sulfate sources.

Rosin carryout stocks next March 31 are likely to be about 60 percent greater than for the previous year, but about one-fourth below the average for the past 10 years. Approximately 120,000 drums of gum rosin (about $\frac{1}{4}$ of gum rosin output and 6 percent of the production of all types of rosin) are likely to be placed in the 1961 price support loan; much of this rosin is expected to be redeemed before the loan matures next June 30.

Next March 31, the turpentine carryout is expected to rise for the third consecutive year. Sulfate and, to a lesser extent, gum turpentine stocks may increase. Overall, despite the lowest price levels in more than 20 years, turpentine stocks may reach their highest level since March 31, 1944. About 15 percent of these will be CCC stocks.

The rosin market reflects the high price levels of 1960 and consumer inventories accumulated mainly during the 1959-crop year. Overall, domestic consumption of rosin is not expected to change significantly in 1961. Exports

may be about one-fourth less in 1961 owing mainly to an estimated 7 percent increase in foreign production and absorption of foreign consumer inventories accumulated during 1959 and 1960. In the long run, foreign consumption is expected to surpass output so that the export market for U. S. rosin should continue to comprise 25 to 35 percent of total U. S. disappearance.

Domestic consumption of turpentine may increase slightly in 1961, offsetting an expected decline in turpentine exports.

Timber Products

Production of round timber products in 1961 is estimated at 10.3 billion cubic feet--5 percent below 1960. Production of industrial roundwood is expected to amount to 8.9 billion cubic feet and fuelwood, 1.4 billion cubic feet.

Net imports of timber products, including the roundwood equivalent of lumber, veneer, plywood, woodpulp and paper, are expected to total 1.3 billion cubic feet, about the same as a year ago. Total consumption is estimated at 11.7 billion cubic feet--2 percent under the 11.9 billion cubic feet consumed in 1960.

Stumpage prices moved downward during the first half of 1961, largely in response to a weakness in lumber markets. Lumber production for the year is estimated at 32 billion board feet--about 9 percent below production in 1960. Lumber imports are estimated at 4 billion board feet, exports 0.7 billion board feet and decreases in stocks 0.2 billion board feet. Lumber consumption is expected to reach 35.5 billion board feet, about 5 percent under the 37.3 billion board feet consumed in 1960 and the lowest level of consumption since 1949. Part of the drop in lumber consumption can be traced to changes in residential construction which have caused a decrease in average unit lumber requirements. A rise in the construction of multi-family units and in single-family units built on slab foundations have been major factors in this decrease.

Legislation recently enacted by Congress expanding the public housing program and permitting FHA to liberalize loans insured under its regular lending programs, and a small decline in interest rates on conventional mortgages should have a favorable effect on residential construction and the demand for lumber in the months immediately ahead. By the mid-1960's, the increasing population stemming from the upsurge in births in the early 1940's is expected to be felt in a rise in the formation of new households. This along with increasing replacements of older dwellings and continued growth in the number of two-dwelling-unit families should mean an ultimate increase in the demand for lumber and other timber products.

Pulpwood production in 1961 is estimated at 40.5 million cords. This represents a new high--1 percent above 1960 and 10 percent above 1959. Imports of pulpwood are expected to total 1.3 million cords, exports, 0.2 million cords, and decreases in stocks, 0.5 million cords. Consumption will thus amount to around 42 million cords, about $1\frac{1}{2}$ million cords above 1960. During the past 15 years pulpwood consumption has increased at an average annual rate of 5.9 percent. In view of the expected increases in population and output of goods and services, this trend seems likely to continue in the immediate future.

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Pulpwood prices at local points of delivery have shown little change from the record levels obtained in 1960. In the Southeast, for example, the price of rough pine pulpwood is expected to average about \$16.50 per cord--the same as in 1960 and about 50 cents above the average in 1959.

Production of softwood veneer logs in 1961 is estimated at 3.7 billion board feet--about 5 percent above the 3.5 billion board feet produced in 1960. This increase is a continuation of a trend which during the last decade has seen production expand about three times. Since the early 1950's there has been little change in the volume of domestic hardwoods produced with annual output averaging about 900 million board feet--the expected level in 1961.

Total output of industrial roundwood products such as cooperage logs, poles and piling, and a miscellaneous assortment of other products in 1961 is estimated at 620 million cubic feet--about 9 percent below 1960.

Consumption of Christmas trees is expected to be somewhere around 45 million trees including 10 to 12 million trees imported from Canada.

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